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Agricultural Chemicals Division

In 1947 the Company started a separate division for the manufacture and sale of agricultural chemicals. The Company produces the insecticides, benzine hexachloride and parathion, and the herbicide. 2,4-D. These agricultural chemicals are supplemented by other purchased products to produce a wide variety of packaged formulations. Sales of these products are made to wholesalers as well as to large manufacturing and merchandising organizations which distribute the Company's products under various national brand names.

The Company has recently completed a plant for the production of organic phosphate chemicals such as parathion. The Company owns 50% of the stock of Chemagro Corporation which was recently organized to use certain chemical processes in the field of organic phosphate chemicals which were developed by Farbenfabriken Bayer, a German chemical organization.

Plasticizers Division

In 1950 the Company constructed a plant for the production of various types of plasticizers, many of which are esters of various alchohols and phthalic anhydride, which is produced by the Company. plasticizers are used in compounding of vinyl type plastics.

Protective Coatings Division

The Company uses pitch, from the distillation of coke oven tar, for the production of pipe line enamel for use on oil and gas transmission lines and water mains. The Company's present plant is capable of producing 60,000 tons of pipe line enamel and 4,000,000 gallons of primer per year.

Activated Carbon Division

During World War II the Company developed a process for the production of activated carbon from coal. This type of activated carbon was widely used by the armed services in gas mask canisters. Since that time this product has been adapted to various commercial uses including solvent recovery, water purification, and decolorization operations. The Company is the only major producer of activated carbon from coal.

Pig Iron Division

The Company owns and operates two blast furnaces—one located on Neville Island having a capacity in excess of 300,000 net tons of pig iron per year and the other located at Struthers, Ohio. having a capacity of 170,000 net tons of pig iron per year.

Of the production from the Company's present Neville Island blast furnace, approximately 7,000 gross tons per month are sold to Shenango-Penn Mold Company and the remainder is sold in the Pittsburgh area to steel mills and foundries. A new blast furnace having a capacity of 300,000 net tons of pig iron per year is under construction adjacent to and integrated with the present blast furnace on Neville Island and is expected to be completed during the fall of 1952. Following completion of the new blast furnace, Shenango-Penn Mold will have the right to take up to 16,000 gross tons of pig iron per month.

The Company also has five-year contracts to furnish 51,000 gross tons of pig iron per year, starting after the completion of the new blast furnace, to three customers who have agreed to lend the Company an

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structed in 1941, and enlarged in 1943; (8) Activated carbon plant, constructed in 1948; (9) Protective coatings plant, constructed in 1948 and 1949; (10) General chemical pilot plant, constructed in 1948; (11) Phthalic anhydride plant, constructed in 1949, enlarged in 1950, operated by a subsidiary; (12) 2,4-D plant, constructed in 1948, enlarged in 1949; (13) Benzene hexachloride plant, constructed in 1950; (14) Agricultural chemical formulation plant, constructed in 1948 and 1949; (15) Plasticizer plant, constructed in 1950; (16) Organic phosphate insecticide plant, constructed in 1951.

The Company also owns and operates a new chemical research laboratory which was constructed in

There are now under construction a substantially larger plasticizer plant, plants for the manufacture 1951. of DDT (an insecticide), 2,4-D and 2,4,5-T (herbicides) and a plant for the manufacture of fine organic chemicals.

Coke Ovens

The by-product coke plant consists of 105 ovens. Seventy of the ovens were constructed in 1929 and are of the Koppers-Becker type; the thirty-five new ovens which were completed and placed in operation in March, 1950 are of the Koppers-Becker under-jet combination oven type. Of these latter thirty-five ovens, twenty were constructed by General Motors Corporation on property leased from the Company. The original battery of seventy ovens has been partially relined and rebuilt in recent years, but further relining or rebuilding may be necessary within the next five years. Thiry-five new ovens are now under construction and will be producing coke in the Fail of 1952 and basic by-products by the end of 1952.

Blast Furnaces

The blast furnace located at Neville Island was relined and enlarged in 1942, partially relined in 1946 and fully relined in 1950. Further economy in the blast furnace operation was accomplished in 1949 through construction of a plant for the briquetting of the flue dust and ore fines for more efficient use in the furnace charge. The present Neville Island Furnace now has a capacity in excess of 300,000 net tons per year. The original blast furnace was built in 1900 and has been remodeled from time to time.

. A new blast furnace having a capacity of 300,000 net tons of pig iron per year is under construction adjacent to and integrated with the present Neville Island blast furnace and is expected to be completed

The blast furnace located at Struthers, Ohio, was rehabilitated in 1949 and has a capacity of in the Fall of 1952. approximately 170,000 net tons of pig iron per year. This furnace is leased to General Motors Corporation under a lease expiring in 1954. The original furnace was built in 1881 and was thereafter remodeled from time to time.

Cement Plant

The cement plant was constructed in 1929 and consisted of two rotary type Allis-Chalmers kilns, two wet mills and three dry mills. In 1948 the Company erected an additional kiln for drying waste slag from the blast furnace for use in the manufacture of Pozzolan cement. In 1949 the Company installed an additional dry mill. The cement plant has a capacity of 1,500,000 barrels per year. The concrete products plant was constructed in 1946 and is operated by Neville Concrete Pipe Company, a whollyowned subsidiary. During the year 1951 this plant produced approximately 51,000 tons of concrete products, principally pipe and block.

Item	29.	Subsidiaries	oŧ	Registrant.
------	-----	--------------	----	-------------

<u>Name</u>	State of Incorporation	securities owned at December 31,
Green Bag Cement Company, Inc. (1) (2)	Pennsylvania	100%
Neville Concrete Pipe Company (1)	Pennsylvania	100%
Neville Island Land Company (1)	Pennsylvania	100%
Pittsburgh Agricultural Chemical Company (1) (2)	Pennsylvania	100%
Pittsburgh Chemical Sales Corporation (1) (2)	Pennsylvania	100%
Pittsburgh Ferromanganese Company (1) (2)	Pennsylvania	100%
Pittsburgh and Ohio Valley Railway Company (1)	Pennsylvania	100%
Pittsburgh-Zanesville Carbon Company (1) (2)	Pennsylvania	100%
Empire Chemical Company (1)	Pennsylvania	100%

- (1) The accounts of these companies are included in the consolidated financial statements of the Company and its subsidiaries.
 - (2) Inactive.

Item 30. Franchises and Concessions.

(Inapplicable.)

Item 31. Bonus and Profit-Sharing Plans for Management.

The Company does not have in effect any regular bonus plan or system; for a number of years it has been the custom of the Company, as a part of its regular method of remuneration, to pay to key salaried employees a bonus in such amounts as the Board of Directors may approve. Such payments in the fiscal year ended December 31, 1951 to directors and officers aggregated \$72,000. During the year 31 employees other than directors and officers participated in the bonus and total payments of \$69,000 were made to them.

At a shareholders' meeting held on August 26, 1936, the Board of Directors of the Company was authorized to issue at the end of each year as additional compensation to such officers and employees of the Company as the Board of Directors shall select, shares of Common Stock of the Company, not in excess of the number of shares determined by dividing 4% of the net earnings (before depreciation, but after all other charges) of the Company for such year by the value of one share of such stock at the end of such year, as determined by the Board of Directors. No action has been taken under this authorization.

Item 32. Indemnification of Directors and Officers.

Article XIV of the Company's By-Laws, as amended, provides as follows:

"Each officer, director or employee of the Company and any person serving at its request as officer or director of another company in which it owns shares of capital stock or of which it is a creditor, shall be indemnified by the Company against all expenses (including costs and attorneys' fees) which may reasonably be incurred or paid by him in connection with any action, suit or proceeding to which he may be made a party by reason of his being or having been such officer, director or employee, or by reason of any action or omission or alleged action or omission by him in such capacity, and against any amount or amounts which may be paid by him (other than to the Company) in reasonable settlement of any such action, suit or proceeding, when it is in the interest of the Company that such settlement be made. In cases where such action, suit or proceeding shall proceed to final adjudication, such indemnification shall not extend to matters as to which it shall be adjudged that such officer, director or employee is liable to the Company or its security holders or such other corporation or its security holders by reason of negligence or misconduct in the performance of the duties involved in the conduct of his office. The right of indemnification herein provided for shall not be exclusive of other rights to which any officer, director or employee may now or hereafter be entitled, shall continue as to a person who has ceased to be such officer,

The tabulation set forth below indicates the total Common Stock equity and the equity per share of Common Stock (taking the Preferred Stock at its involuntary liquidating value of \$100 per share), at each of the dates stated:

	Total Common Stock Equity	Equity Per Share of Common Stock*
December 31, 1946	\$ 9,310,000	\$16.81
December 31, 1947	11,790,000	20.89
December 31, 1948	13,240,000	23.60
December 31, 1949	14,553,000	25.94
December 31, 1950	17,022,000	30.34
December 31, 1951	22,334,000	30.63
December 31, 1952	25,070,000	30.75

^{*} Based on the number of shares of Common Stock of the Company outstanding at end of each year.

The Company's net sales, broken down between the principal types of business in which the Company is engaged, for the five years ended December 31, 1952, are as follows:

Year Ended December 31,	Pig Iron	Cement	Coke and Miscellaneous	Chemicals and Coke By-Products
1948	\$10,245,000	\$2,500,000	\$3,166,000	\$ 4,687,000
1949	10,171,000	2,752,000	2,837,000	7,088,000
1950	16,671,000	3,183,000	5,183,000	10,975,000
1951	22,419,000	3,775,000	4,370,000	18,099,000
1952	17,219,000(1)(2)	3,245,000(1)	4,402,000(1)(3)	13,834,000(1)

- (1) During the year 1952 production was suspended during the period from June 2 to July 27, inclusive, due to a strike of the United Steelworkers of America (CIO).
 - (2) Includes sales of pig iron from new Neville furnace which commenced operations in December, 1952.
 - (3) Includes production from 35 additional coke ovens beginning in October, 1952.

Expansion Program and Property Additions

The Company has substantially completed the expansion program which was started about two years ago. The total cost of such expansion program was, as of February 28, 1953, estimated at \$19,400,000 of which all but \$2,191,000 had then been expended.

A new blast furnace, having a capacity of approximately 300,000 net tons of pig iron per year was put into production in December, 1952. In this connection, reference is made to information set forth herein under the heading "Some Factors Affecting Earnings of the Company and Great Lakes" under the caption "Summaries of Earnings". Thirty-five additional by-product coke ovens have been completed and were placed in full operation in October, 1952. A new steam boiler plant to provide for the additional requirements of steam and electric power is expected to be placed in operation during the spring of 1953.

The Company's new plasticizer facilities were put into production in December, 1952. Early in 1953 the Company completed the expansion of its plant for the production of 2,4-D (a selective weed killer) and its facilities for the production of 2,4,5-T (also a selective weed killer) are expected to be completed during April, 1953. The activated carbon plant is being expanded so as to increase production

by an estimated 50%, such additional capacity being scheduled for completion in April, 1953. The expansion of the cement plant is expected to be completed in March or April, 1953. The Company's new plant for the production of dyestuffs and other fine chemicals is expected to be completed in the spring of 1953.

The Company's expansion program included the construction of a plant for the production of DDT and the construction of such a plant was started in 1952. However, due to industry over-production of DDT and an unsatisfactory price structure, construction of the plant was stopped and the project has, at least for the time being, been abandoned. The cost of the partially completed plant, less salvage value, amounting to \$314,000, was written off against current earnings in 1952.

The Company's expansion program was interrupted and the completion of the new plants was delayed for in excess of two months by a strike of the United Steelworkers of America (CIO) during the summer of 1952.

The Company has been granted Necessity Certificates by the National Security Resources Board with respect to the blast furnace, coke ovens and boiler plant additions. Under such Necessity Certificates the Company has the right to amortize over a five-year period for Federal income and excess profits tax purposes 85% of the cost of the blast furnace (estimated at \$8,200,000) and coke ovens (estimated at \$6,000,000) and 60% of the cost of the boiler plant (estimated at \$1,700,000).

The following tabulation sets forth the property additions of the Company and its subsidiaries at Neville Island during the five years ended December 31, 1952:

	1948	1949	1950	1951	1952	Total	<u>%</u>
Chemical plants Blast furnaces By-product coke plant	\$1,506,000	\$ 909,000	\$1,778,000	\$1,671,000	\$ 2,207,000	\$ 8.071,000	29.84%
	120,000	354,000	188,000	746,000	5,942,000	7,350,000	27.17
	231,000	1,020,000	86,000	1,389,000	4,279,000	7,005,000	25.90
Cement plant Concrete products plant Boiler plant and gas producer Other	208,000	220,000	33,000	74,000	252,000	787,000	2.91
	18,000	32,000	21,000	53,000	8,000	132,000	.49
	—	—	278,000	26,000	1,384,000	1,688,000	.6.24
	363,000	219,000	311,000	369,000	753,000	2,015,000	7.45
	\$2,446,000	\$2,754,000	\$2,695,000	\$4,328,000	\$14,825,000	\$27,048,000	100.00%

Coke Division

The Company has in operation 140 by-product coke ovens the annual capacity of which is approximately 900,000 net tons of furnace coke. Coke may be produced either for furnace, foundry or domestic use, but at present only furnace coke is being made. A substantial portion of the coke produced by the Company is used in its own blast furnaces.

Twenty of the new coke ovens completed in March, 1950 were constructed by General Motors Corporation, on land leased from the Company under a lease expiring in 1954, pursuant to a contract with the Company, and the remaining 15 were constructed by the Company. The coke ovens constructed by General Motors Corporation are operated by the Company under an operating agreement with General Motors Corporation and the coke from such ovens, as well as coke from the Company's coke ovens, is used by the Company in the operation of the Struthers blast furnace.

Coal Chemicals Division

The basic by-products from the Company's coke ovens are gas, tar, ammonia and light oils including benzol, toluol and xylol. The products produced by the Company from such by-products include, among

others, ammonium sulphate which is used as a fertilizer, sodium cyanide which is used in the manufacture of transparent plastics and resins, pyridine which is the basic ingredient in certain sulpha and antihistamine drugs, and picoline, a solvent used in the manufacture of certain pharmaceuticals and dyes. The hydrogen sulphide recovered from coke oven gas, augmented by the use of purchased elemental sulphur, is converted into sulphuric acid, some of which is used by the Company in its own operations.

Coke oven tar is distilled to recover pitch, creosote, naphthalene and tar acids, including phenol and cresylic acid. A portion of the phenol produced by the Company is used in the manufacture of 2,4-D and 2,4,5-T, selective weed killers. Meta para cresol is used in the manufacture of tricresyl phosphate, a plasticizer used in manufacturing insulation for electric wire. The Company uses its naphthalene for the production of phthalic anhydride which is used in the manufacture of alkyd-resin for paints and also in the production of plasticizers for vinyl type plastics. At the present time the Company's phthalic anhydride plant has a capacity of approximately 11,000,000 pounds per year.

Agricultural Chemicals Division

In 1947 the Company started a separate division for the manufacture and sale of agricultural chemicals. The Company produces the insecticides, benzene hexachloride and parathion, and the herbicides, 2,4-D and 2,4,5-T. These agricultural chemicals are supplemented by other purchased products to produce a wide variety of packaged formulations. Sales of these products are made to wholesalers as well as to large manufacturing and merchandising organizations which distribute the Company's products under various national brand names.

The Company's inventories of agricultural chemicals presently amount to approximately \$4,800,000, which the Company considers about \$1,000,000 higher than the inventory which would normally be carried at this time of year. The Company expects to reduce these inventories during the 1953 season for agricultural chemicals, either through an increase in sales or a reduction in production. At the present time there is general over-production of agricultural chemicals with attendant price weakness.

In 1951 the Company constructed a plant for the production of organic phosphate chemicals, such as parathion. The Company owns 50% of the stock of Chemagro Corporation, organized in 1950 to use certain chemical processes in the field of organic phosphate chemicals which were developed by Farbenfabriken Bayer, a German chemical organization.

Plasticizers Division

In 1950 the Company constructed a plant for the production of various types of plasticizers, many of which are esters of various alcohols and phthalic anhydride, which is produced by the Company. Such plasticizers are used in the compounding of vinyl plastics. In December, 1952, the Company brought into production new plasticizer facilities which are capable of producing over 12,000,000 lbs. of various types of plasticizers per year.

Protective Coatings Division

The Company uses pitch, from the distillation of coke oven tar, for the production of hot-applied enamels for use on oil and gas transmission lines and water mains. The Company's present plant is capable of producing 60,000 tons of pipe line enamel and 4,000,000 gallons of primer per year. The Company has recently placed increased emphasis on the development and sale of cold-applied coatings which are used for protection of industrial equipment that is subject to severe corrosive conditions.

Great Lakes in 1946 adopted a long range program for the modernization and betterment of the vessels which it owned at that time, and for the five years ended December 31, 1952, approximately \$2,623,000 was expended under this program. It is estimated that \$3,000,000 (based on present costs) will be required to complete this program.

In 1951 Great Lakes entered into a contract for the construction of a bulk freight vessel to cost approximately \$5,500,000 of which \$3,950,000 had been expended at December 31, 1952. It will have an annual carrying capacity of approximately 700,000 gross tons of iron ore and the addition of the vessel to the present fleet will increase the annual carrying capacity of the fleet to approximately 4,420,000 gross tons of iron ore during the course of a normal season of navigation on the Great Lakes. The new vessel was launched on January 29, 1953, and will be commissioned and placed in operation early in the 1953 season. A Necessity Certificate has been granted with respect to this vessel which permits the amortization for Federal income and excess profits tax purposes of 80% of the cost thereof over a five-year period.

PROPERTIES AND PLANTS

The Company owns approximately 146 acres of land on Neville Island on which is located its integrated by-product coke plant, two blast furnaces, cement plant, chemical plants, and concrete products plant. The Company also owns 33 acres at Struthers, Ohio, on which is located the Struthers blast furnace and related facilities.

A general description of the Company's plants is set forth below:

Chemical Plants

The Company owns and operates the following chemical plants located on Neville Island: (1) Continuous tar distillation plant, constructed in 1939; (2) Tar base distillation plant for production of pyridine and picoline, constructed in 1939; (3) Ammonium sulphate plant, constructed in 1929, enlarged in 1950; (4) Light oil distillation plant for benzol, toluol and xylol, constructed in 1929, enlarged in 1950; (5) Sulphuric acid plant, constructed in 1939, enlarged in 1940 and 1942; (6) Tar acid plant for production of phenol and cresols, constructed in 1940 and 1941, enlarged in 1952; (7) Naphthalene plant, constructed in 1941, enlarged in 1948; (9) Protective coatings plant, constructed in 1948 and 1949; (10) General chemical pilot plant, constructed in 1948; (11) Phthalic anhydride plant, constructed in 1949, enlarged in 1950; (12) 2,4-D plant, constructed in 1948, enlarged in 1949 and 1952; (13) Benzene hexachloride plant, constructed in 1950; (14) Agricultural chemical formulation plant, constructed in 1948 and 1949; (15) Plasticizer plant, constructed in 1952; (16) Organic phosphate insecticide plant, constructed in 1951.

The Company also owns and operates a new chemical research laboratory which was constructed in 1951.

Coke Ovens

The by-product coke plant consists of 140 ovens. Seventy of the ovens were constructed in 1929 and are of the Koppers-Becker type; the thirty-five ovens which were completed and placed in operation in March, 1950 are of the Koppers-Becker under-jet combination oven type. Of these thirty-five ovens, twenty were constructed by General Motors Corporation on property leased from the Company. Thirty-five new ovens of the Koppers-Becker under-jet combination oven type were completed and put into

PITTSBURGH COKE & CHEMICAL COMPANY AND SUBSIDIARIES CONSOLIDATED BALANCE SHEET December 31, 1955

ASSETS

CURRENT ASSETS: Cash in banks and on hand Accounts receivable, less reserve of \$260,000 (Schedule XII)		\$11 217 000 5 329 000	
Estimated refund of prior years' income taxes Inventories (Note B): Finished goods Work in process Raw materials Supplies Total Current Assets	\$ 6 874 000 546 000 4 665 000 1 387 000	256 006 13 472 000	\$ 30 27 4 000
INVESTMENTS AND ADVANCES, AT COST (Note G): Great Lakes Steamship Company, Inc. Chemagro Corporation Notes receivable and miscellaneous investments Total Investments and Advances	•	3 330 000 1 361 000 380 000 3	5 071 000
FIXED ASSETS, AT COST (Schedules V and VI) (Notes C and D): Land Suildings, machinery, equipment, etc. Less: Accumulated depreciation Total Fixed Assets	\$1.8 222 000 20 113 000	\$ 1 067 000 27 809 000	28 876 000
DEBT DISCOUNT AND PREPAID EXPENSES (N	lota E)		327 000
; TOTAL ASSETS			\$61, 51,8 000

(See Notes to Financial Statements)

SCHEDULE IV

PITTSBURGH COKE & CHEMICAL COMPANY AND SUBSIDIARIES INDEBTEDNESS OF AFFILIATES - NOT CURRENT FOR THE YEAR 1955

Name of affiliate	Balance receivable at beginning period	Balance receivable at close of period
Chemagro Corporation Other	\$300 000 245 000 \$545 000	\$200 000 none \$200 000

SCHEDULE XVII

PITTSBURGH COME & CHEMICAL COMPANY AND SUBSIDIARIES INCOME FROM DIVIDENDS - EQUITY IN NET PROFIT AND LOSS OF AFFILIATES FOR THE YEAR 1955

COLUMN A		COLUMN C		
	Ar	Amount of		
Name of issuer and title of issue	Cash	Other	Total per profit & loss statement	equity in net profit & loss for the period
Great Lakes Steamship Company, Inc.:				
Preferred Stock, 42% cumulative, par value \$100 per share	\$ 37 000	None	\$ 37 000))	\$534 000
Common Stock, without par value	210 000	None	210 000)	
i	3247 000	_	<u>\$247 000</u>	
Chemagro Corporation	. None 🤝	None 🖘	None :	2179 000 TT
Miscellaneous investments	None	None	None	None

PITTSBURGH COKE & CHEMICAL COMPANY AND SUBSIDIARIES CONSOLIDATED BALANCE SHEET December 31, 1956

ASSETS

•		_
	Consolidated	Company
CURRENT ASSETS:	\$12 406 000	\$ 8 115 000
a Lales and on hand	. #IE 100 000	• •
	•	
(at cost plus accrued interest, which approximately	3 308 000	3 005 000
	_	
Accounts receivable, less reserve of \$240,000	4 928 000	4 615 000
(Schedule XII)	285 000	285 000
Estimated refund of prior years' income taxes		2 766 000
Inventories (Note B):	3 929 000	3 766 000 287 000
Finished goods	287 000	7 275 000
Work in process Raw materials	7 301 000	1 514 000
Supplies	<u>i 511, 000</u>	\$12 842 000
Total Inventories	\$13 031 000	\$15 Off 000
10fsT Titlemas Tan	422 000	\$28 862 000
Total Current Assets	\$33 958 000	<u> </u>
•		
INVESTMENTS AND ADVANCES, AT COST (Sch. III and Sch. I Great Lakes Steamship Company, Inc. (Note A) Wholly owned subsidiary companies Chemagro Corporation Miscellaneous investments and long-term receivables Total Investments and Advances	\$ 505 000 766 000 \$ 1 271 000	\$ 5 097 000 1 252 000 2 505 000 316 000 \$ 7 170 000
FIXED ASSETS, AT COST (Schedule V and Schedule VI) (Note C): Land Buildings, Machinery, equipment, etc. Less: Accumulated depreciation	\$ 1 111 000 \$69 209 000 30 930 000 \$38 279 000	\$ 878 000 \$50 531 000 21 979 000 \$28 552 000
	\$70 E17 GGG	
Total Fixed Assets	\$39 390 000	\$29 1130 000
DEBT DISCOUNT AND PREPAID EXPENSES (Note D)	\$ 462 000	\$ 1111 000
TOTAL ASSETS	\$75 081 000	\$65 903 000

(See Notes to Financial Statements)

Note F - Investments

See Note A for details of investment in Great Lakes Steamship Company, Inc. The Company owns 50 per cent of the voting capital stock of Chemagro Corporation, the remaining 50 per cent being owned by one other interest. The cost of such >stock to the Company was \$100,000 and the Company's equity in the net assets of Chemagro as shown on the latter's books as of December 31, 1956 was \$283,000.

The book value of the underlying net assets applicable to the other investments, as determined from financial statements, is approximately equivalent to the amount of the investments. No income has been received on these investments.

Note G - Capital Surplus:

Changes in Capital Surplus during the year 1956 were as follows:

Capital Surplus at December 31, 1955	\$ 1 115 000	\$ 1 117 000
assets of Great Land Street at effective over the cost of its investment at effective	1 357 000	
acquisition dates. Transfer from capital stock account arising from the change from no par value to \$10 par value common stock Excess of market value of common shares issued	-8 169 000	8 181 000
as a stock dividend over par variation	300 000	302 000
shares at \$14) Excess of stated value over cost of preferred stock purchased and retired. Capital Surplus at December 31, 1956	8 000 \$10 949 000	\$ 9 608 000

Note H - Pension and retirement plans:

Hourly rated employees of the Company and certain of its wholly owned subsidiaries and salaried employees of the Company and its wholly owned subsidiaries, upon retirement, are entitled to pensions under a non-contributory pension plan. As employees become eligible to retire, the then current actuarially estimated cost of pensions is charged to operating expenses and the pensions are funded over a five-year period from that date. Pension expense for the Company and its wholly owned subsidiaries amounted to \$88,000 for 1956 and is estimated at \$225,000 for 1957.

The retirement plan (non-contributory) of Great Lakes Steamship Company, Inc. provides for annual payments to a trust fund of amounts which will provide currently for future service benefits and amortize the cost of past service benefits over periods not to exceed 25 years. Pension expense in 1956 amounted to \$61,252. The unfunded past service cost at December 31, 1956 amounted to approximately \$370,390.

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SCHEDULK. IVII COMPANY

PITTSBURCH CORE & CHEMICAL COMPANY INCOME FROM DIVIDENDS EQUITY IN NET PROFIT AND LOSS OF AFFILIATES YEAR ENDING DECEMBER 31, 1956

Column A		Column C		
	Amoun	t of Div	idends	
Name of Issuer		-	Total of related captions of profit and loss or income	Amount of equity in net profit and loss for the period
and Title of Issue	Cash	Other	statement	per 15u
Wholly owned subsidiary companies: Capital stock	none	none.		\$ ji:1 000 (1)
Majority owned subsidiary Company: Great Lakes Steamship Company, Inc.: Preferred Stock how Communitive, \$100 par value Common Stock without par value	\$ 5½ 000 261 000	none		673 000
Fifty per cent owned person: Chemagro Corporation: Class B Common Stock, \$20 par value	none	none		152 000
	\$315 000	none	. \$331 000 (2) \$ 966 000

⁽¹⁾ Includes \$6,000 dividends paid by the Company

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to a subsidiary.

(2) Classified in income statement as interest, dividends and other income, net.

PITTSBURGH COKE & CHEMICAL COMPANY AND SUBSIDIARIES CONSOLIDATED BALANCE SHEET December 31, 1957

ASSETS

	•	
CURRENT ASSETS:	A T TOO 000	
Cash	\$ 5,590,000	
Contract receivable from The Northwestern		
Mutual Life Insurance Company, plus	8,335,000	
accrued interest	0,000,000	
Accounts receivable, less reserve of	3,734,000	, \$
\$232,000 (Schedule XII) Estimated refund of prior years! income taxes	1110,000	
Inventories (Note C):	440,	
Finished goods \$ 6,155,000		
Work in process 326,000		
Raw materials 8,797,000		
Supplies 1,712,000		
Total Inventories	17,290,000	
Total Current Assets		\$35,389,000
•		
THE COURT AND ADVANCES AT COST (Note B) (Note G):	•	
INVESTMENTS AND ADVANCES, AT COST (Note B) (Note G):		
Mortgage notes receivable from Wilson Marine	\$ 600,000	
Transit Company, maturing 1959-61 Common Stock of Wilson Marine Transit	9 000,000	
	2,116,000	
Company - 11,938 shares	859,000	144 14.11
Chemagro Corporation Other investments and long-term receivables	881,000	• 1
Office Investments and Tong-cerm received		
Total Investments		\$ 4,456,000
		••
·		
THE PERSON AND THE PERSON THE PER	•	
CASH AND OTHER ASSETS SEGREGATED FOR MINORITY INTEREST		\$ 3,173,000
IN GREAT LAKES STEAMSHIP COMPANY, INC. (Note B)		4 7,2,000
	•	
mercen recome as mess (Sabadulas V and VI)		
FIXED ASSETS, AT COST (Schedules V and VI)		
(Note B) (Note D):	\$ 1,075,000	
Land Buildings, machinery and equipment \$53,216,000		
		•
Less: Accumulated depreciation 22,96h,000	70,272,000	
Total Fixed Assets		\$31,327,000
IGIAT LIME WASSERS		
	•	
DEBT DISCOUNT AND PREPAID EXPENSES (Note E)		307,000
NAME A MANAGANA INDEA OF SECURITY AND SECURI		
•		
TOTAL ASSETS		<u>\$74,652,000</u>

(See Notes to Financial Statements)

NOTES TO FINANCIAL STATEMENTS

Note A - Principles of consolidation:

The financial statements include the accounts for the year 1959 of the Company and subsidiary companies totally held during the year, (including a subsidiary which was liquidated in October, 1959, and the net assets transferred to the parent company), and for the fourth quarter the accounts of United States Concrete Pipe Company, a wholly owned subsidiary company, acquired in September, 1959.

The 3½% promissory notes included in long-term debt were issued as part of the consideration for the acquisition of United States Concrete Pipe Company and are payable to a former stockholder of that company, who later became a Director of the Registrant, and to members of his family.

The equity of the Company in the net assets of the subsidiary companies, as shown by their books, exceeded its investment therein at December 31, 1959 by \$519,000, representing the net income of these companies since effective dates of acquisition, which amount is reflected in consolidated income retained in the business.

The shares of capital stock of Fittsburgh and Ohio Valley Railway Company, a totally held subsidiary, are pledged as collateral security under the First Mortgage and Deed of Trust securing the First Mortgage Bonds of the Company.

Note B - Inventories:

Cartain inventories in the amount of \$8,057,000 at December 31, 1959, are valued at cost determined on the last-in, first-out basis. The remaining inventories are valued at the lower of current cost or market.

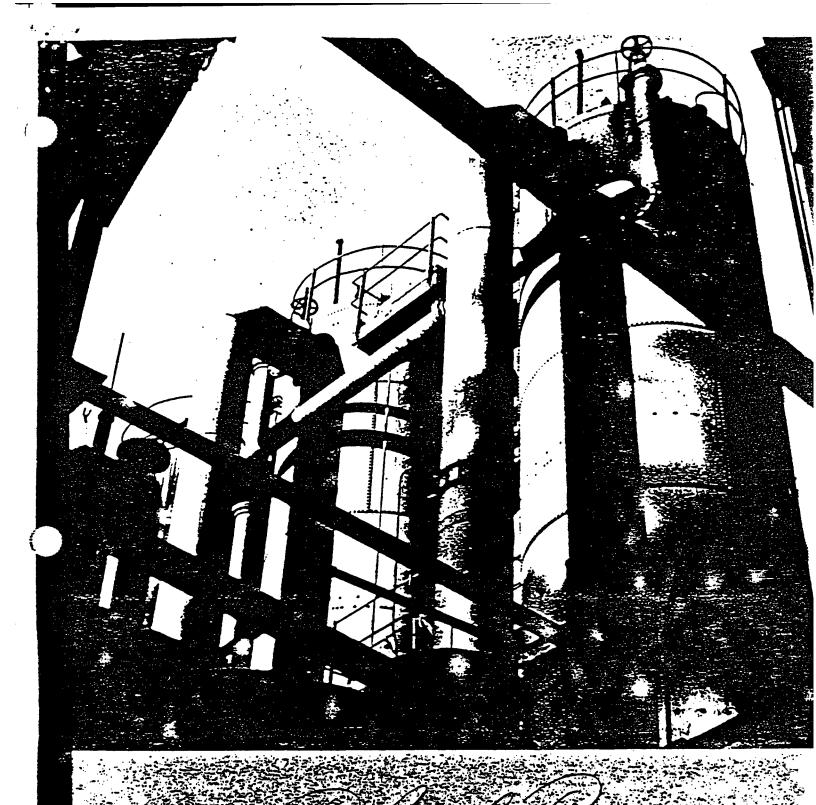
The amounts of the beginning and ending inventories used in the computation of cost of sales were as follows:

Inventory December 31, 1958 \$18,947,000 Inventory December 31, 1959 17,389,000

Note C - Investments:

The second secon

The Company's equity in the net assets of Wilson Marine Transit Company and Chemagro Corporation, as shown by their financial statements, is in excess of the amounts recorded as investments in these companies.



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(C)(G)

PITTSBURGH COKE & CHEMICAL COMPANY

Directors

W. L. AFFELDER

J. H. HILLMAN, JR.

J. BURTON AYERS

T. W. KIRKPATRICK

ALLEN S. DAVISON

R. M. MARSHALL

HENRY L. HILLMAN

H. R. MUSTARD

THOMAS WATSON

Officers

J. H. HILLMAN, JR	Chairman of the Board
R. M. MARSHALL	President
HENRY L. HILLMAN	Executive Vice President
G. E. DIGNAN	Vice President—Operations
	Vice President—Chemicals
ROBERT M. MOORE	Vice President—Sales
W. S. SCOTT	Vice President
	Secretary
H. R. MUSTARD	Treasurer and Controller
J. E. HIRLEMAN	Assistant Treasurer and Assistant Controller

Transfer Agents

THE COLONIAL TRUST COMPANY
414 Wood Street, Pittsburgh 22, Pa.

CHEMICAL BANK & TRUST COMPANY
30 Broad Street, New York 15, N. Y.

Registrars

PEOPLES FIRST NATIONAL BANK & TRUST COMPANY
Wood Street at Fourth Avenue, Pittsburgh 22, Pa.

NEW YORK TRUST COMPANY 100 Broadway, New York 5, N. Y. To PIT

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PITTSBURGH COKE & CHEMICAL COMPANY

GRANT BUILDING

PITTSBURGH 19, PENNSYLVANIA

March 1, 1954

To The Shareholders of PITTSBURGH COKE & CHEMICAL COMPANY:

FINANCIAL HIGHLIGHTS Profit of \$2,855,000 in 1953 compares with \$2,163,000 in 1952. Earnings per share of Common Stock amounted to \$2.63 on 916,907

shares outstanding as of December 31, 1953, compared with \$2.12 per share for 1952 on the

shares then outstanding.

Regular cash dividends on the Common Stock of 25¢ per share were paid in each quarter, plus a year-end extra of 25¢, making a total of \$1.25 per share for the year. In addition, a stock dividend of 2% was distributed in December, the same as in 1952.

In the 1952 report it was stated that the Company's expansion program might entail further financing to provide a greater degree of flexibility. This was deemed wise because of the delay in the construction program occasioned by the protracted steel strike which postponed the opportunity to generate cash through production from the new facilities. Accordingly, 84,903 shares of Common Stock were sold in March 1953 from which the Company derived net proceeds of \$2,086,000. Our total shareholders now number 4,788 compared with 4,162 a year ago.

Record sales of \$52,212,000 for the year 1953 compare with sales in strike interrupted 1952 of \$38,700,000. The results in the first half of 1953 reflected the increased volume of sales incident to the firing of a fourth battery of coke ovens in October 1952, and the blowing in of a new blast furnace in December 1952.

The first six months of 1953 provided the opportunity to bring into operation the additional units and increased facilities made available by our \$23,000,000 capital expenditures over the last three years and to prove their balanced relationship to our integrated operations. Their performance during this period was as anticipated. Unfortunately, lower sales by certain divisions, as set forth below, prevented the same results in the second half of the year.

Although increased wages and raw materials prices affected costs adversely, operating economies throughout our various divisions brought about greater efficiency to help offset these uncontrollable factors.

EXPANSION PROGRAM

In 1945, after the cessation of hostilities, the total assets of your Company aggregated \$15,882,000. The gross buildings, machinery, and

equipment totalled \$15,412,000 and the net after reserve for depreciation appeared at \$6,804,000. Capital expenditures since 1945 have totalled

\$35,082,000.

Our recent major construction program consisting of a new battery of by-product coke ovens, blast furnace, power plant, and increased production facilities at the cement, activated carbon and a number of chemical plants amounted to \$23,000,000. Reflecting this expansion the Company's total assets now stand at \$61,686,000, including buildings, machinery and equipment in the gross amount of \$46,975,000, and in the net amount, after depreciation, of \$30,599,000. The book value of the Common Stock now amounts to \$31.04 per share, against \$16.22 per share at the close of 1945.

Of the recent \$23,000,000 capital expenditures, \$18,000,000 was covered by Certificates of Necessity which permit a five-year amorti-

zation of \$14,450,000.

AMORTIZATION
AND
DEPRECIATION

Total amortization, under Certificates of Necessity, and depreciation for 1953 available as a deduction for income tax purposes amounted

to \$4,196,000. Of this, \$2,093,000 represents normal depreciation and the balance of \$2,103,000

represents accelerated amortization.

The heavy amortization now available under Necessity Certificates, if charged in its entirety against earnings, would show an income picture which would not be properly comparable with past years. The Company has therefore elected, in accordance with accepted accounting procedure, to record only normal depreciation in its accounts. However, since the deduction for tax purposes of the excess of the amortization over depreciation will result in part of the depreciation being unavailable as a tax deduction in years following the five-year amortization period, a provision for future income taxes has been made in the amount of \$1.131.000.

Appropriate portions of the reserve so created will be credited to income in years following the amortization period when depreciation of fully amortized facilities will not be deducti-

ble for tax purposes.

DIVISIONS

ACTIVATED CARBON
DIVISION

During the early part of the year an enlargement of activated carbon facilities was com-

pleted which increased production 50%. The long-range outlook for this product appears so promising that a further expansion program has been initiated. This will provide an additional substantial increase in capacity to meet the indicated growing market. A Certificate of Necessity for this capacity increase was obtained in the amount of \$2,260,000 and permits 75% of the cost of construction to be amortized over a five-year period. A relatively small portion of this total expenditure will be made during 1954. The division is continuing a broad research program for further process development and is increasing its efforts toward broader markets for this product. The expansion program which is now beginning will permit the Company to supply certain large markets which have not been fully satisfied in the past.

AGRICULTURAL CHEMICALS DIVISION 1953 recorded the second consecutive unsettled year for the agricultural chemical industry in general. The normal market for many in-

secticides and herbicides was affected by unusual weather conditions which caused most of them to be in oversupply. It is felt that many of the problems that usually accompany a new and rapidly growing industry have been resolved and that the market has now become satisfactorily stabilized.

During the year a number of improvements were made in the production of agricultural

chemicals, resulting in the lowering of production costs and the raising of quality. The division's primary efforts, however, were directed toward further strengthening and improving its market position. From the inception of this division every effort has been made to develop a strong merchandising organization and it is believed that this has now been successfully accomplished.

The Company continued its profitable production of Systox, the unique systemic insecticide, and other related products the manufacture of which are the result of its interest in Chemagro Corporation. This latter Company is jointly owned with Farbenfabriken Bayer of

Germany and Geary Chemical Corp.

CEMENT DIVISION An expansion of the cement plant facilities was completed early in the year and provided this division the largest sales

year in its history. It appears that the cement business will continue to be strong for the coming year. In addition to normal commercial and industrial construction, which promises to be maintained at a satisfactory level, we believe there will be a further acceleration in the public building of roads and other facilities.

COAL CHEMICALS DIVISION The markets for the Company's broad line of coal chemical products continued to be generally satisfactory. In addition to supplying a sub-

stantial portion of this production as raw materials for the other chemical divisions, the Company continued to serve as a basic supplier to other chemical companies. It is expected that the diverse uses of these materials by the chemical industry will continue to expand. Therefore, it is believed that the demand for these products should continue to be favorable for some time to come.

COKE. DIVISION Substantial quantities of coke in excess of requirements for the blast furnaces were shipped to customers during 1953. Toward the end of the year these

shipments declined with the cut-back in steel operations. The Company is in a favorable long-term position as a supplier of coke to a number of companies whose own coke production is insufficient for their normal needs. As soon as the current inventory position of our customers has been adjusted, coke shipments should again be at a satisfactory rate.

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CONCRETE
PRODUCTS
DIVISION

The wholly-owned Neville Concrete Pipe Company continued operations at a high rate during the past year. As in the case of the cement division, it is antici-

pated that an increasing volume of public works will sustain a strong market for concrete pipe. The market for regular concrete block is expected to be highly competitive. However, this division uses a sizeable portion of its block production in the manufacture of pre-cast floor and roof slabs, for which the market is considerably more attractive.

During 1954 it is planned to install a machine for coating concrete block with a tough, resistant plastic thus permitting the use of block in places previously limited to ceramic tile. This should prove helpful in increasing over-all

sales to the building industry.

FINE CHEMICALS DIVISION Early in the past year the fine chemicals division started operations and during the year produced and introduced to the trade a large number of

products. It has been gratifying that the finished dyestuffs have been of highest quality and comparable with any products now being offered by competitors. Although the textile trade, to which these products are sold, has been in a depressed state for the past few years, good progress has been made by this division in establishing a market for its products.

Since the largest market for dyestuffs is now primarily in the Southeast, the Company has recently acquired a sizeable tract of land near Spartanburg, S. C., where it is now in the process of constructing new laboratories, warehouse and offices in order better to serve the industry in that area. The desirable industrial site which has been acquired provides an excellent location from which to service the expanding market. The Company also is now undertaking exploratory studies relative to the possibilities of utilizing its new location as a manufacturing point for certain of its products.

PIG IRON

The first half of the year just closed allowed both Neville Island blast furnaces to operate at full capacity and in some in-

stances certain customers were not fully supplied. This full two furnace operation, supplying contract hot metal to a nearby ingot mold plant and cold pig iron to other customers, allowed the complete integration of all new facilities at Neville Island and proved their economic balance.

Early in the last half of the year a decline in the demand for pig iron became evident. The first effect was brought about by a curtailment in the manufacture of farm implements and was later accelerated by a planned reduction of pig iron inventories by customers in other lines who withheld placement of their regular orders.

Although the present rate of blast furnace production is curtailed, there is strong evidence that the inventory adjustment is about complete and that blast furnace operations will now be more closely related to future activity of our customers. We expect that the operation of this division will be maintained at a profitable level, being somewhat related to the steel industry which is currently at approximately 80% of capacity in the Pittsburgh district.

The availability of two blast furnaces, with the output of one furnace being substantially consumed under a hot metal contract, will permit a more profitable operation than was previously possible with one furnace. Because your Company is the only producer of merchant pig iron in the Pittsburgh district, we believe that the long-term demand for this product will profitably support the present two furnace operation.

The Company's Struthers, Ohio, blast furnace, a high cost marginal producer, was shut down in April 1953. This furnace will, however, be kept as a standby unit for meeting the unusually large demands for pig iron which have developed intermittently in the past.

PLASTICIZER DIVISION

At the start of 1953 the plasticizer division had just brought into operation its substantially increased pro-

duction facilities. During the year the production from these new facilities was continually increased until they are now approaching their maximum capacity. This has required a manyfold increase in sales volume which was successfully accomplished last year. New plasticizers were also added to the line of products and they have been enthusiastically received by the trade. A very large portion of the products of this division is sold to the vinyl resin processing industry which produces a wide variety of plastic products. We are convinced that the activity of this industry, and therefore of this division, will continue at a high rate.

PROTECTIVE COATINGS DIVISION

The past year again marked a highly successful one for the protective coatings division. The majority of its products continued to be sold to the gas and oil transmission industry which uses enamels as protective coatings for pipe lines. In addition to maintaining a high volume of enamel sales, the division continued the development and sale of other protective coatings which enter into a wide variety of new construction and maintenance uses.

The high level of construction in the gas and oil industry, forecast for the next three years at a rate of over \$1 billion per year, indicates a good market for protective coatings.

PERSONNEL

Each of the ten separate divisions of your Company, although in most cases highly integrated with the Com-

pany's over-all operation, has very distinct operating and commercial characteristics peculiar to its products and their markets. For that reason each division is directed by a manager who is responsible for production, sales and research, and is accountable for the profits of his division.

We regret that W. Stewart Scott, because of an impairment in health, has been forced to relinquish the pressing requirements of chief sales executive. He has for many years, and with exceptional success, carried the title and responsibility of Vice President—Sales. The Company will not lose his valuable experience, however, since he will continue as a Vice President of the Company.

It is fortunate that Robert M. Moore, formerly General Manager of Sales, is well qualified to take over this responsibility and he accordingly has been elected Vice President-

Sales.

LABOR RELATIONS

Wage rates were increased effective June 12, 1953 in the pattern of the industry adjustment. We are happy to report that there were no

work stoppages, and the effectiveness of the employees compares favorably with the industry.

GREAT LAKES STEAMSHIP COMPANY, INC.

There has been no change in your Company's ownership of Great Lakes Steamship

Company, Inc. Combined stock holdings of Preferred and Common amount to substantially 61% of the

outstanding shares.

In August 1953, that company's new 18,500 ton ore boat was commissioned and put in the iron ore lake run. Its many engineering design features and large capacity have produced a most gratifying economy of operation. Profits of this unconsolidated subsidiary for the year 1953 are estimated at \$900,000 compared with \$752,000 for the year 1952.

THE **FUTURE**

Because the Company's threeyear expansion program, involving expenditures in 1951 of \$4,416,000, in 1952 of \$14,776,000 and in 1953 of \$3,990,000, was

completed in 1953, your management has been concentrating on better coordinating and more efficiently operating the recently enlarged facilities.

The Company's production facilities at Neville Island are in excellent operating condition and the entire organization, alerted to a more normally competitive economy, is ready to take full advantage of the various markets for your Company's products as they develop. Although the first two months of 1954 have shown no improvement over the closing months of 1953 in coke and pig iron shipments, we feel this is due to a temporary inventory correction and adjustment.

It is our intention to continue a program of further diversification into the chemical industry, and it is hoped that economic conditions will permit an accelerating rate of progress

toward this goal.

By Order of the Board of Directors J. H. HILLMAN, JR. R. M. MARSHALL President Chairman of the Board

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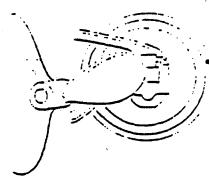
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TRANSPORTATION FACILITIES—

As Diverse as the Company They Serve

DURING any given day in 1953, the Neville Island plant of Pittsburgh Coke & Chemical Company may have unloaded several thousand tons of coal from river barges and shipped a few pounds of urgently needed pharmaceutical intermediates by air express. And, during the same day, almost every modern method of transportation by land and water was at work for the plant—feeding it large bulk tonnages of coal and iron ore, conveying semi-processed materials from one production stage to another within the plant's integrated production pattern, and moving finished Pittsburgh products from plant to markets.

By the very diverse nature of the company's products, their movement requires not only the normal facilities of industrial transportation but also many specialized

and, in some ways, unique ones.

To better serve an ingot mold customer on Neville Island, for example, our Pig Iron Division taps molten iron directly into 75-ton hot metal ladles on rail trucks. The ladles are moved by Diesel power directly to the customer's mold shop where the molten metal is tapped into pouring ladles, ready for casting. This operation eliminates the necessity of casting and handling "pigs" and of remelting them at the foundry.

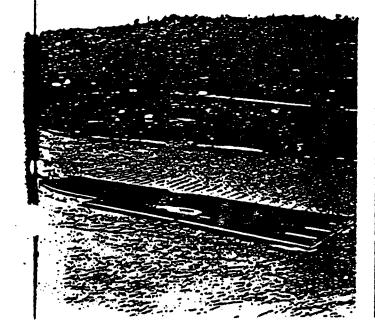
Bulk phthalic anhydride, a Pittsburgh coal chemical used in paint, plastic and dyemaking, is often transported by truck by the use of special "tote bins" which can be loaded with the flake right in the plant and

easily moved on and off a truck bed by a high lift. Molten phthalic anhydride is often shipped in insulated and heated truck tanks so that it can be retained and used in this same molten state at its destination.

The excellent location of the Neville Island plant on the Ohio River enables Pittsburgh Coke & Chemical to utilize economical barge transportation, not only for receiving one million tons of coal annually, but also for the shipment of many Pittsburgh products to customers and to strategically located warehousing points. Pitt Chem pipeline enamels, for example, often move down to the Gulf of Mexico by river and are unloaded at Texas Gulf ports for use on oil and gas transmission lines in Texas and the Southwest. Agricultural chemicals, coal chemicals and pig iron are also efficiently shipped to markets that are accessible through the Mississippi-Ohio river system.

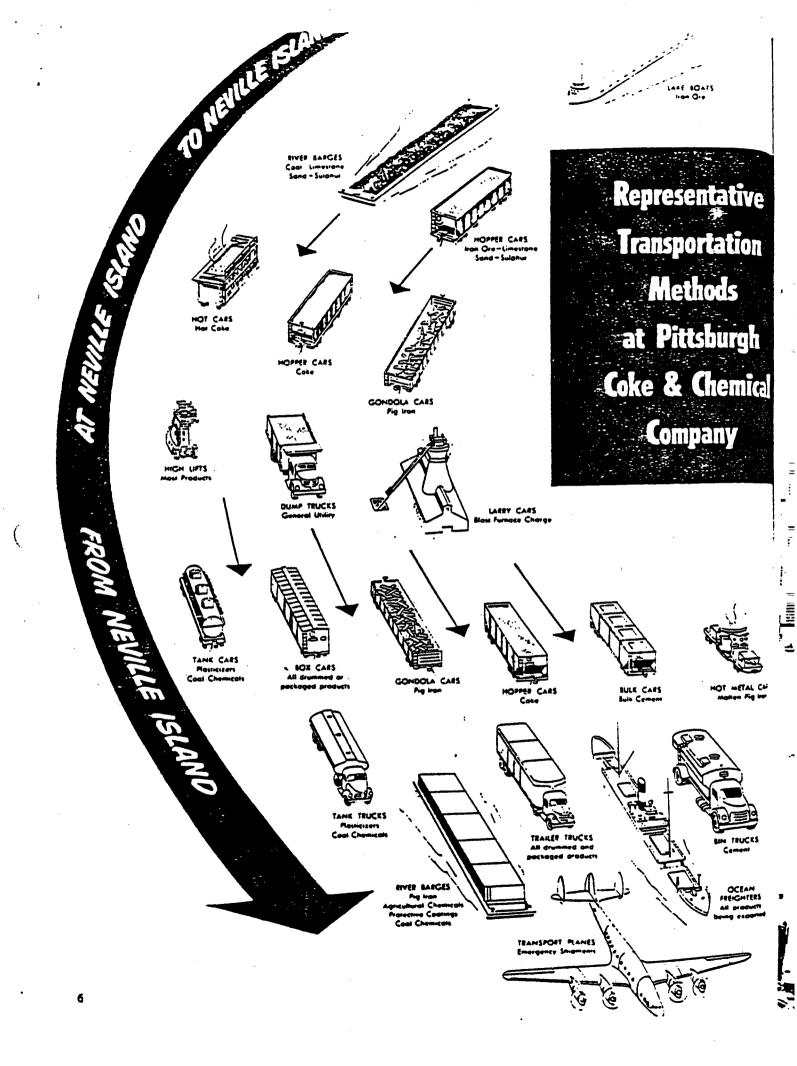
As the company's export trade continued to expand in 1953, more and more Pittsburgh products, particularly agricultural chemicals, coal chemicals and plasticizers were moving in ocean freighters to Europe, South and Central America and even to Japan.

Because of the diversity of its products and the availability of excellent highway, rail, river and air transportation, few other manufacturers in the country employ as wide and interesting a variety of conveyance facilities as does Pittsburgh Coke & Chemical Company. We have illustrated some of these modes of transportation on the following three pages.

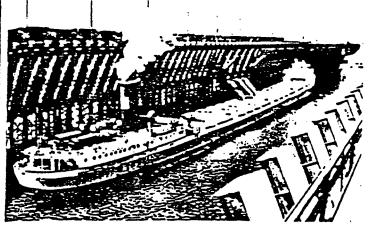


When fast shipment of products like agricultural chemicals, dyestuffs and pharmaceutical intermediates is called for, air transportation, 20 minutes from plant, is often used.





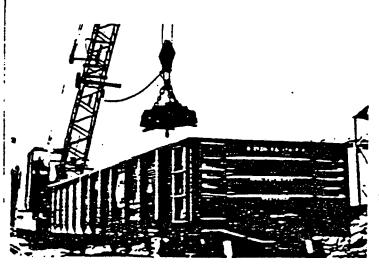
Pittsburgh's Raw Materials and Finished Products Move by Every Modern Method of Transportation

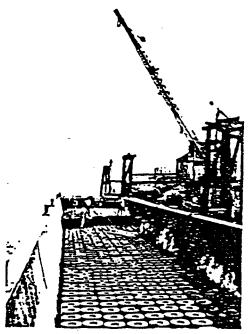


An endless chain of are boats moves iron are from the head of the lakes to Lake Erie parts. Ore for Neville Pig Iron then moves from lake parts to our plant by rail.

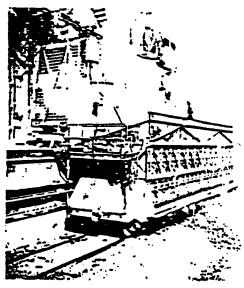


Green Bag Cement is aften shipped in bulk in these special bin trucks. Each truck can carry 75 barrels of cement and can be loaded at Neville Island in a matter of just a few minutes.



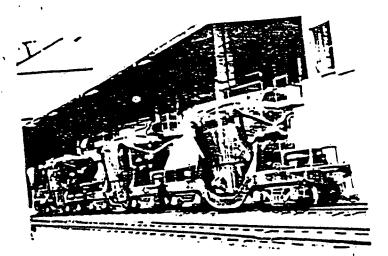


Pittsburgh pipeline enamels are shipped by barge to customers and warehouses on the Mississippi system and to points as far as Brownsville by inner-coastal waters.



The distance this hot car travels is short, but its duty is rugged. It carries white hot cake from avens to the quenching tower and back to drying wharf.

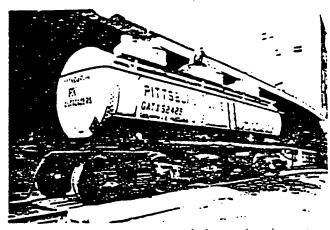
Rail shipment of Neville Pig Iron utilizes gondola car like this. Each car carries from 50 to 70 tons of pig iron. Electro magnet cranes are used for loading.



Neville Pig Iron can be tapped directly into hot metal ladles on rail trucks and transported to nearby customer's faundry for immediate casting.



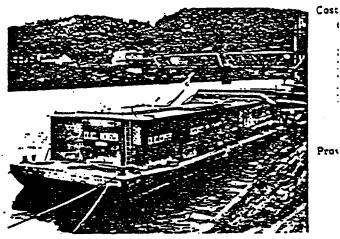
Lift trucks comprise one of the hardest working groups of vehicles in the plant. They move every product from 7-foot concrete pipes to packaged products like activated carbon, above.



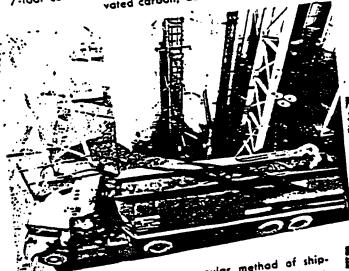
Railroad tank cars are regularly employed to ship many of the company's liquid products. These include Pittsburgh PX Plasticizers and many coal chemicals,

Sales

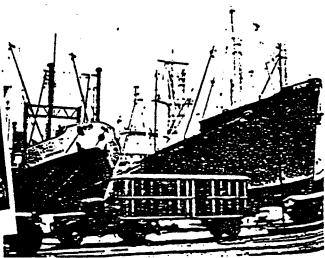
Ear EA



Bulk cement is sometimes shipped by barge to nearly customers who have docking facilities on the river. In bins are covered, of course, for protection against weather



Tank trucks are another popular method of shipping plasticizers and coal chemicals. Pittsburgh cusping plasticizers and coal chemicals in special comtomers can order "split" shipments in special compartmented tanks.



The company's growing export market finds larger tonnages of Neville Island products traveling by ocean freighter. They move from plant to loading port by rail, highway and barge.

PITTSBURGH COKE & CHEMICAL COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF PROFIT AND LOSS and EARNINGS RETAINED IN THE BUSINESS

Years Ending December 31, 1953 and December 31, 1952

	1953	1952
Sales and revenues:		
Gross sales and earnings, less discounts, outward freight, returns and allowances	\$52,212,000	\$38,700,000
Interest, dividends and other income, net	655,000 \$52,867,000	170,000 \$38.870.000
•	\$32,007,000	430,010,000
Costs and expenses: Cost of sales and operating expenses, including maintenance and repairs of		
\$2,954,000 and \$2,791,000 respectively	\$40,309,000	\$31,255,000
Selling and administrative expenses	3,158,000	2,669,000
Depreciation (Note 5)	2,093,000	1,562,000
Taxes other than Federal and state income taxes	604,000	524,000
Interest and amortization of discount on long term debt	613,000	523,000
Provision for possible losses on collection of accounts receivable	60,000	61,000
	\$46,837,000	\$36,594,000
Profit before income taxes	\$ 8,030,000	\$ 2,276,000
Provision for income taxes:		
Current taxes:		
Federal income	\$ 1,891,000	\$ 1,013,000
Federal excess profits (refund for 1952)	0 153.000	(200,150,1) 81,000
State income	\$ 2,044,000	\$ 63,000
Future taxes (Note 5):	4 46 ,000	• 00,000
Federal income	1,044,000	, 50,000
State income	87,000	
	\$ 1,131,000	\$ 50,000
Total current and future income taxes	\$ 3,175,000	\$ 113,000
PROFIT FOR THE YEAR	\$ 2,855,000 /	\$ 2,163,000
Earnings retained in the business at beginning of year	12,566,000	12,243,000
	\$15,421,000	\$14,406,000
Cash Dividends:		
\$5.00 Preferred Stock-1953 and 1952, \$5.00 per share	\$ 159,000	\$ 152,000
\$4.80 Preferred Stock-1953, \$4.80 per share; 1952, \$4.72 per share	285,000	283,000
Common Stock—1953 and 1952, \$1.25 per share	1,104,000	971,000
Stock Dividend on common stock—1953, 2% (16,907 shares at \$20 per share and cash in lieu of fractional shares); 1952, 2% (15,066 shares at \$27 per share and cash in		
lieu of fractional shares)	361,000 \$ 1,909,000	434,000 \$ 1,840,000
Earnings retained in the business at end of year	\$13,512,000	\$12,566,000
EARNINGS PER SHARE OF COMMON STOCK		
(based on number of shares outstanding at end of respective years)	\$ 2.63	\$ 2.12
(See Notes to Financial Statements)		•

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PITTSBURGH COKE & CHEMICAL COMPANY AND SUBSIDIARIES

Consolidated Balance Sheet, December 31, 1953

ASSETS

CURRENT ASSETS:			
Cash in banks and on hand		\$ 6,042,000	
Accounts receivable, less reserve of \$257,000		3,395,000	
Inventories (Note 1):			
Finished goods	\$ 7.141,000		
	475,000		
Work in process	5,626,000		
Raw materials		14 010 000	
Supplies	1,677,000	14,919,000	
Total Current Assets		•••••	\$24,356,000
INVESTMENTS, AT COST (Note 2):			
Great Lakes Steamship Company, Inc		\$ 3,830,000	
Other affiliated companies		932,000	
Miscellaneous		356,000	5,118,000
MISCELLAREOUS	• • • • • • • • • • • • • • • • • • • •		-,
FIXED ASSETS, AT COST:			•
Land		\$ 1,170,000	
Buildings, machinery, equipment, etc	\$46,975,000		
Durings, machinery, equipment, etc.	16,376,000	30,599,000	31,769,000
Accumulated depreciation	7441 4444		
DEFERRED CHARGES AND PREPAID EXPENSES			443,000
DEL GUILDA ATTIVADA 1901A . WELLING BOTT CHICAGO			\$61,686,000
			301,000,000

NOTES TO FINANCIAL STATEMENTS

- Note 1: Inventories in the amount of \$5,973,000 are valued at cost determined on the last-in, first-out basis. The remaining inventories are valued at the lower of average cost or market prices.
- Note 2: The equity of the Company in the net assets of Great Lakes Steamship Company, Inc., as determined from financial statements, exceeds its investment therein by approximately \$1,523,000 and the Company's equity in the earnings for the year ended December 31, 1953, exceeded dividends received by \$242,000. The book value of the underlying net assets applicable to the other investments, as determined from financial statements, is approximately equivalent to the amount of the investments.
- Note 3: The payment of dividends on common stock is restricted under the terms of bank loans and of the \$4.80 preferred stock. The amount of earnings retained in the business at December 31, 1953, free from such restrictions is \$5,923,000.
- Note 4: The Company is obligated to set apart on its books, each April 30, a purchase fund for the purchase for retirement and cancellation of serial preferred stock. The remaining portion of the amount set aside on April 30, 1953 (\$67,000) was \$47,000 at February 22, 1954. The amount to be set aside on April 30, 1954 is \$94,000.
- Note 5: Emergency facilities constructed under Certificates of Necessity are being depreciated on the books of the Company at rates based on their normal useful lives. The reserve for future income taxes is equal to the additional estimated income taxes which will be payable over a period of years subsequent to the end of the five-year tax amortization period by reason of the non-deductibility for tax purposes of depreciation which will then be recorded.

PITTSBURGH COKE & CHEMICAL COMPANY

AND SUBSIDIARIES

Consolidated Balance Sheet, December 31, 1953

LIABILITIES

CURRENT LIABILITIES:		
Accounts payable—trade	• • • • • • • • • • • • • • • • • • • •	\$ 3,628,000
Accrued payrolls		244,000
Federal and state income taxes	•••••	1,979,000
Long term debt due within a year	•••••	1,944,000
Other		491,000
Total Current Liabilities		\$ 8,286,000
LONG TERM DEBT:		
First Mortgage Bonds Authorized		
First Mortgage Bonds, 31/2% Series, due November 1, 1964	\$ 8,630,000	
Installment notes payable—banks—31/2% due July 1, 1957 payable in five equal semi-annual installments of \$375,000 commencing January 1, 1955 and final payment of \$2,000,000 on July 1, 1957	3,875,000	
Installment notes payable—other—3% due July 1, 1958 payable in approximately		
equal monthly installments between January 1, 1955 and June 30, 1957	1,686,000	14,191,000
RESERVE FOR FUTURE INCOME TAXES (Note 5)		1,181,000
OTHER RESERVES	•.• • • • • • • • • •	553,000
CAPITAL SHARES AND SURPLUS:		
Serial Preferred Stock—Cumulative: Authorized 118,580 shares without par value: \$5,00 Preferred Stock (redemption value, \$105 a share; liquidation value, \$100 a share):		
Authorized 49,380 shares—outstanding 34,132 shares	\$ 3,270,000	
\$4.80 Preferred Stock (convertible into Common Stock; redemption value, \$103 a share; liquidation value—voluntary \$103 a share, involuntary \$100 a share):		
Authorized to be issued and issued 59,200 shares	5,742,900	•
Common Stock:		
Authorized 1,200,000 shares without par value:		
Issued 977,761.34 shares, stated at	15,200,000	
Capital surplus (increased \$2,000 by reason of purchase of Preferred, Stock for less than stated value)	585,000	
Estraings recained in the business	13,512,000	
	\$38,309,000	٠
Capital Stock in treasury, at cost:		
\$5 Preferred Stock— 3,190 shares	224 455	** ***
Common Stock —60,854 shares 539,000	834,000	37,475,000
		\$61,686,000

PRICE WATERHOUSE & Co.

140 STANWIX STREET PITTSBURCH 22, PA.

February 23, 1954

TO THE BOARD OF DIRECTORS
AND THE STOCKHOLDERS OF
PITTSBURGH COKE & CHEMICAL COMPANY

In our opinion, the accompanying consolidated balance sheet and consolidated statement of profit and loss and earnings retained in the business present fairly the financial position of Pittsburgh Coke & Chemical Company and its subsidiaries consolidated at December 31, 1953, and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Our examination of such statements was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

PRICE WATERHOUSE & CO.

PITTSBURGH COKE & CHEMICAL COMPANY AND SUBSIDIARIES

Divisions and Their Products

Coal Chemicals Division

Ammonium Sulphate **8enzol--Nitration** Creasate Cresol, meta, para- and ortho-2.4-Dichlorophenol Hydrochloric Acid Isonicotinic Acid Maleic Anhydride Naphthalene Phenol Phthalic Anhydride Picoline, alpha- and beta, gamma-Pyridine (2°) Sulfuric Acid-66° and Oleum Tar-Road Toluene Xylene,-10°, 5° and 3°

Agricultural Chemicals Division

Benzene Hexachloride
Toxaphene
DDT
Parathian Wettable Powders
Parathian Liquid Concentrate
Systox
2,4-D Acid
2,4-D Amine Concentrates
2,4-D Ester Formulated Concentrates
Ester Weed Killer D-4 (Low Volatile)
2,4,5-T Formulations
C-4 Pre-Emergence Weed Killer (Chloro IPC)
Cotton Sprays and Dusts

Protective Coatings Division

Pipeline Coatings
Maintenance Coatings
Industrial Coatings

Xylenol

Fine Chemicals Division

Vat, Acetate and Direct Dyes

Plasticizer Division

PX-104 DiButyl Phthalate
PX-108 DiIsoOctyl Phthalate
PX-114 Decyl Butyl Phthalate
PX-138 DiOctyl Phthalate
PX-138 DiOctyl Phthalate
PX-158 DiCapryl Phthalate
PX-208 DiIsoOctyl Adipate
PX-209 DiNonyl Adipate
PX-238 DiOctyl Adipate
PX-404 DiButyl Sebacate
PX-438 DiOctyl Sebacate
PX-438 DiOctyl Sebacate
PX-800 Epoxy
PX-917 TriCresyl Phosphate

Activated Carbon Division

Granular Carbons For
Solvent Recovery Corn Sugar Refining
Catalysts Catalyst Supports
Gas or Liquid Purification Air Conditioning
Water Conditioning

Pulverized Carbons For General Purification Refining and Isolation

Neville Coke Division

Domestic, Foundry, Industrial, Metallurgical Coke

Green Bag Cement Division

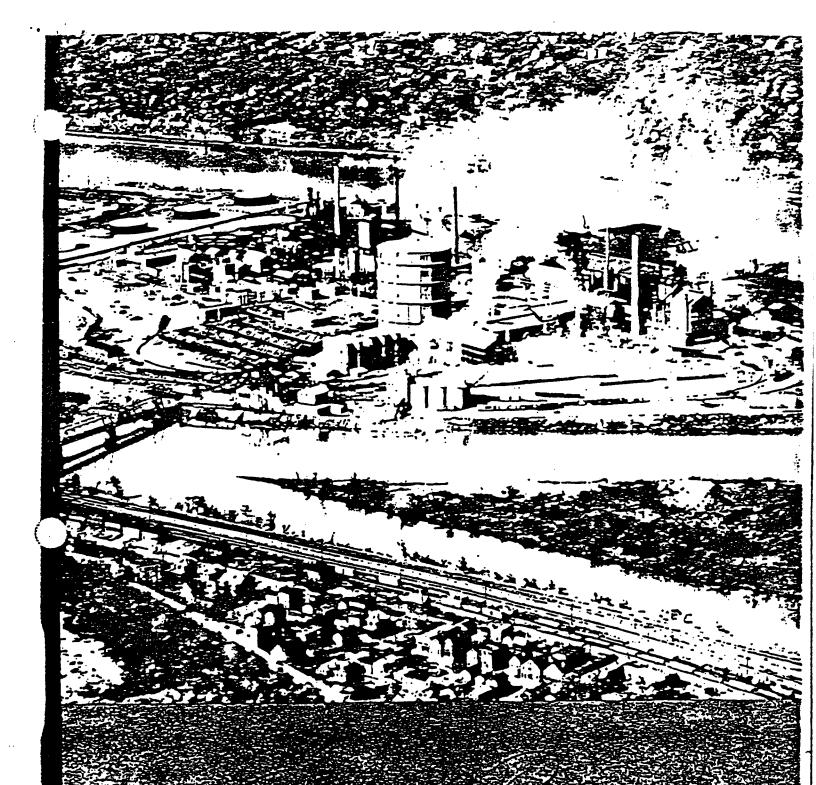
Portland, Portland Waterproofed, Portland Pozzolan, Green Bag Mortar Cements

Neville Pig Iron Division

Basic, Bessemer, Foundry, Malleable Pig Iran

Neville Concrete Pipe Company

Culvert and Sewer Pipe, Concrete Block, Dox Floor and Roof Systems



1954

PARCECULAR CONFRACTOR OF CHENCEL COMPANIES OF PETERS

PITTSBURGH COKE & CHEMICAL COMPANY

Directors

W. L. AFFELDER

J. H. HILLMAN, JR.

J. BURTON AYERS

T. W. KIRKPATRICK

G. E. DIGNAN

R. M. MARSHALL

HENRY L. HILLMAN

H. R. MUSTARD

THOMAS WATSON

Officers

J. H. HILLMAN, JR.	Chairman of the Board
R. M. MARSHALL	President
HENRY L. HILLMAN	Executive Vice President
G. E. DIGNAN	Vice President—Operations
W. KENNETH MENKE_	Vice President—Chemicals
ROBERT M. MOORE	Vice President—Sales
W. S. SCOTT	Vice President
T. W. KIRKPATRICK	Secretary
H. R. MUSTARD	Treasurer and Controller
J. E. HIRLEMAN	Assistant Treasurer and Assistant Controller

Transfer Agents

FIDELITY TRUST COMPANY
414 Wood Street, Pittsburgh 22, Pa.

CHEMICAL CORN EXCHANGE BANK
30 Broad Street, New York 15, N. Y.

Registrars

PEOPLES FIRST NATIONAL BANK & TRUST COMPANY
Wood Street at Fourth Avenue, Pittsburgh 22, Pa.

NEW YORK TRUST COMPANY 100 Broadway, New York 5, N. Y.

PITTSBURGH COKE & CHEMICAL COMPANY

GRANT BUILDING

PITTSBURGH 19, PENNSYLVANIA

March 1, 1955

To The Shareholders of PITTSBURGH COKE & CHEMICAL COMPANY:

FINANCIAL HIGHLIGHTS

In terms of dollar profits the year 1954 was a disappointing one. Such profits are of interest however, because they show the ability of the Company to withstand downward fluctuations in the demand for its products. While operating rates of various divisions differed widely, total production amounted to less than 60% of the Company's estimated normal capacity. In spite of this low rate of operation, it was possible to earn a net profit for the year of \$1,084,000 (\$.71 per share of common) after providing a reserve for Deferred Income Taxes of \$1,120,000 (\$1.22 per share). Sales for the year were \$35,667,000. These figures compare with a 1953 profit of \$2,855,000 (\$2.63 per share) after providing a reserve for Deferred Income Taxes of \$1,131,000 (\$1.23 per share) and sales of \$52,212,000.

Most of the sales decline occurred in coke and pig iron which were affected by the sharply curtailed operations of the steel industry. Toward the end of the year, coincident with an increase in the operating rate of that industry, the demand for these products improved markedly. Present indications point to a continued demand for coke and pig iron which will support a profitable level of production of these products.

Another encouraging aspect of the year 1954 from the financial point of view is the substantial cash flow that has resulted from accelerated amortization permitted under Certificates of Necessity. This is explained under the heading "Amortization and Depreciation." As of December 31, 1954, cash amounted to \$6,790,000, and the ratio of current assets to current liabilities was 4.4 to 1. The maintenance of this very satisfactory financial position was aided by the sale, in May, 1954, of an additional \$700,000 of $3\frac{1}{2}$ % bonds.

Capital expenditures for the year were primarily directed toward the improvement and in some cases the enlargement of existing facilities. While it is believed that our operating facilities in general are in excellent condition, the normal replacement of worn-out equipment must be periodically undertaken. There also arise opportunities to eliminate

bottlenecks in various operations, thereby increasing capacity at a relatively low cost.

Quarterly cash dividends of \$.25 per share, aggregating \$1.00 for the year, were paid on the Common Stock. Owing to the low 1954 earnings, your Directors did not deem it advisable to declare any extra cash or stock dividends at the year end.

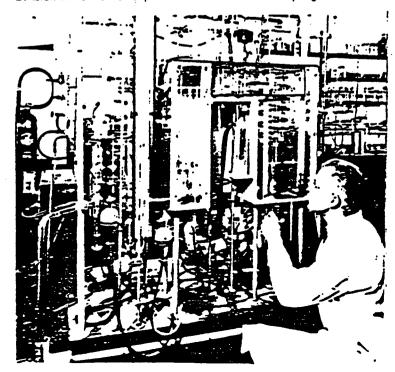
AMORTIZATION AND DEPRECIATION

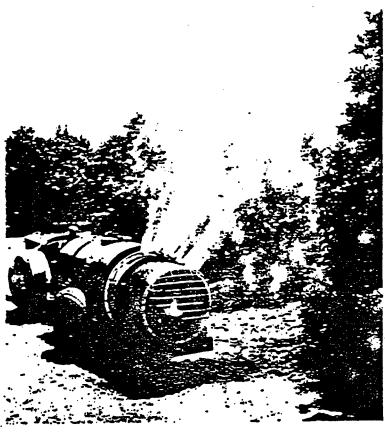
Your Company, like many others, has obtained Certificates of Necessity which permit, for tax purposes, rapid five-year amortization (accelerated depreciation) of the cost of most of the new facilities under our recently completed \$23,000,000 plant expansion program. As was explained in the 1953 Annual Report, if such accelerated depreciation were deducted from current earnings reported to shareholders, they would be distorted and not properly comparable with the past.

The Company is following the procedure

The Company is following the procedure approved by the American Institute of Accountants that only normal depreciation over the useful lives of plant facilities be reported in profit and loss statements. In addition, in accordance with such procedure, a

Intensified research in 1954 assisted the Activated Carbon Division in its market expansion and diversification program.





The Company is very active in the agricultural chemicals field, which appears to have excellent long range prospects.



The Cement Division of the Company attained new sales records in 1954, both in dollars and in barrels of cement shipped.

Provision for Deferred Income Taxes is being made to cover taxes payable after the end of the five year period when plant facilities will have been entirely amortized and the applicable depreciation thereon taken for profit and loss purposes will not be deductible for tax

purposes.

Total amortization permitted under Certificates of Necessity together with normal depreciation for 1954 deductible for income tax purposes amounted to \$4.358,000. Of this, \$2,021,000 represents the normal depreciation shown in the attached Statement of Profit and Loss and the balance of \$2,337,000 is the excess of amortization over this depreciation. The amount provided for deferred income taxes because of the amortization being deducted in computing taxes amounts to \$1,120,000 and represents a current cash saving on account of taxes which are, in effect, postponed until later.

THE DIVISIONS ACTIVATED CARBON DIVISION

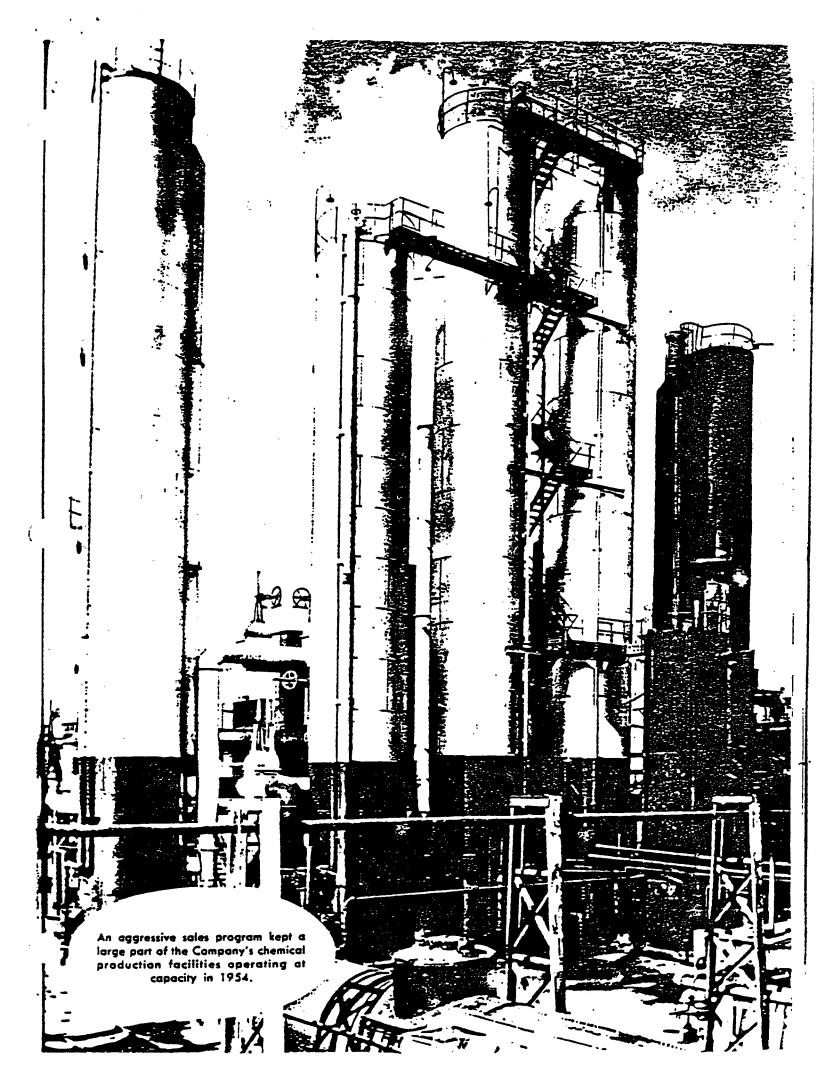
Prior to 1954, the Company obtained a Certificate of Necessity in the amount of \$2,260,000 which permits the amortization for tax purposes of 75% of the cost of new activated carbon facilities over a five-year period. It is planned that construction of these facilities will be undertaken in a number of separate steps because of improvements that are being developed in the manufacturing processes. The first of these steps, and also the smallest in amount of expenditure, was completed in 1954 and is currently being put in operation. It is anticipated that this will not only provide a small increase in productive capacity, but will also improve product quality and may lead to reduced manufacturing costs in the later phases of the program.

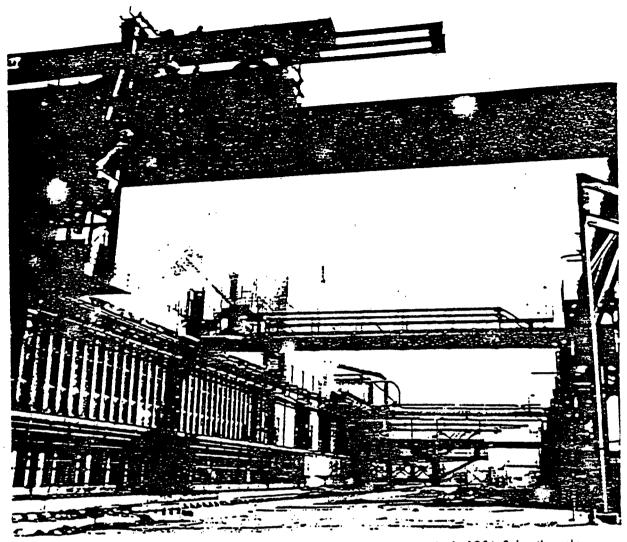
The Division continued its broad efforts toward further expanding and diversifying its market outlets. An achievement toward this goal was the development, in close cooperation with an engineering company, of a new type furnace. This furnace will make much less costly the reactivation of our activated

carbon at the consumer's plant.

AGRICULTURAL CHEMICALS DIVISION

Your Company has developed an outstanding agricultural chemicals sales organization and has maintained a strong position in this extremely competitive field. While the long range outlook for the growth in the market for agricultural chemicals seems to be excellent, the industry in recent years has been faced with the problem of an oversupply of some products coupled with a variable demand





The Company entered into the production of high quality foundry coke in 1954. Being the only producer of foundry coke in the area, its long term prospects in this field appear very favorable.

caused in large measure by unpredictable weather conditions. Recurrent price weaknesses have thereby been brought about which have adversely affected profits.

This Division has recently entered the retail market with a unique type of household fly killer which will be extensively marketed through drug, food and department stores. The current program is a natural outgrowth of its regular agricultural chemical business, and the Company may find it advantageous to enter further into this area in the future.

The Division continued to produce organic phosphate insecticides for Chemagro Corporation, in which it has a joint interest with

. Farbenfabriken Bayer of Leverkusen, Germany, and Geary Chemical Corp. The activities of this jointly owned Company have proceeded satisfactorily and appear promising for the future.

CEMENT DIVISION

This Division made a new sales record in both total dollars and number of barrels of cement that were shipped.

Since our introduction of Portland Pozzolan Cement (blast furnace slag type) to the construction field in 1938, this material has grown so in popularity that four other companies are now manufacturing it for all types of construction work. An even greater number of companies are interested in manufacturing this product but are limited by the availability of granulated blast furnace slag in their immediate producing areas. The growing interest in Portland Pozzolan Cement will, we believe, enable it to capture a greater share of the total market.

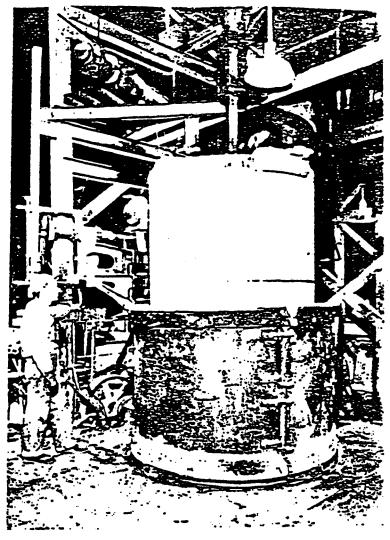
Inasmuch as the total demand for cement shows signs of remaining strong for several years to come, we are conducting an intensive study of our plant and markets to determine the desirability of further increasing capacity.

COAL CHEMICALS DIVISION

An aggressive sales organization and our continuing efforts toward being a reliable supplier enabled a number of our coal chemical plants to operate at capacity. The result was an excellent earnings record for the Division in 1954.

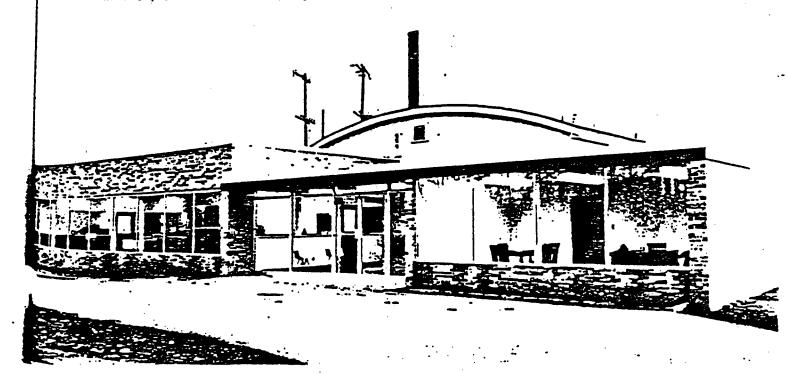
The Division is responsible for a rather varied group of chemicals, most of which are initially derived as by-products from the Company's own coke oven operations, although a substantial quantity is also purchased from other companies. Because we have these alternate sources for raw materials, there was no serious curtailment in the operations of any plant arising from lack of an adequate supply.

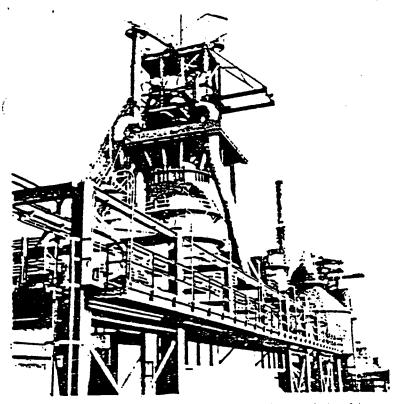
Coal chemicals have many industrial uses including the manufacture of plastics, synthetic fibers, paints, and pharmaceuticals. These industries are in a sound growth trend and the outlook for coal chemicals is excellent.



The high level of activity in the construction field led to a continued good demand for most of the company's concrete products.

A modern new Fine Chemicals Division laboratory and warehouse, completed in Spartanburg, S. C., in 1954, enables the division to give fast efficient service in the heart of the textile industry.





Recent increased demands of the steel and foundry industries for Neville Pig Iron have necessitated the operation of both of the Company's blast furnaces.

COKE DIVISION

The decline in steel operations curtailed the production of furnace coke during most of 1954. Demand increased sharply toward the end of the year with the result that the Company's coke producing facilities are now being

operated at a near capacity rate.

During the year we initiated the production of a high quality foundry coke in order to reach a more diversified and broader coke market. This coke, which is sold to the foundry trade, has met with very favorable acceptance. Your Company is the only producer of foundry coke in the area, and has a most promising long-term position in this field.

CONCRETE PRODUCTS DIVISION

Demand for products of this Division in 1954 was well supported by the large amount of construction in the Pittsburgh district. Continuation of this construction activity and a probable further increase over the next few years in the building of public works indicate a strong future market for concrete pipe and other concrete products.

A new plant was brought into operation last year for the manufacture of roof slabs from cement and expanded vermiculite, a lightweight aggregate. Because these slabs

can be erected rapidly and at low cost, they have been enthusiastically received by the construction industry.

FINE CHEMICALS DIVISION

The Fine Chemicals Division, through its second year of manufacturing products for the textile trade, has made good progress under difficult market conditions. While there has been a distinct improvement in the last six months, textile manufacturers operated at a low rate for the greater part of the year. In addition to an oversupply of domestic dyestuffs, an increasing amount of foreign competition adversely affected the profitability of the Division. On the other hand, steady progress has been made in gaining recognition for the Company in an entirely new field. Our dyestuffs are of highest quality and fully equal to the products of competing manufacturers.

A new laboratory and warehouse has been completed in Spartanburg, South Carolina, and is now in full operation. This will aid sales by providing us with the ability to give immediate service in the heart of the textile

industry.

The Division is now in the process of extending its product line to include organic pigments, some of which have just recently been offered on the market.

PIG IRON DIVISION

The first half of 1954 brought a severe decline in the pig iron requirements of the steel and foundry industries. Near the end of the year however, a sufficient return of demand necessitated the use of both Neville Island furnaces. During nine months of 1954 only one furnace had been in blast.

Indications are that the demand for pig iron will soon approach its normal level. The farm implement industry has completed inventory adjustments and is projecting high production schedules and sales for 1955. Operations of the construction industry are continuing at a record rate and it appears that steel production will maintain its present level for a

large part of the year.

With two blast furnaces at Neville Island. the Company is able to fill a sizeable portion of the merchant iron requirements of the Pittsburgh district. It is fortunate that the Company's largest pig iron customer is located close to our plant so that iron can be delivered in molten state. Your Company is the only producer of merchant pig iron in the district. We believe that normal long-term demand will profitably support both furnaces.

In an effort to broaden its merchant pig iron market, the Division was successful in becoming one of the first producers of a special iron for use in the new and versatile ductile iron castings.

PLASTICIZER DIVISION

Last year the Plasticizer Division made an outstanding record. The concentrated emphasis that has been placed on sales activities has caused a continuing increase in our share of the plasticizer market. To meet this demand, production has been raised to a point well beyond what was earlier thought to be the normal capacity of our plant. The continued expansion of the plastics industry makes it appear desirable to again enlarge our facilities to allow for still greater growth.

A new plasticizer, Pittsburgh PX-114, was introduced just prior to 1954 and has been well received by the trade. This now constitutes one of the Division's major products. Your Company is also the first to announce that one of its present plasticizers has received Food and Drug Administration approval for certain nontoxic applications such as vinyl film for food packaging. This will create a broader market for this material.

Other interesting new plasticizers are being developed and we are endeavoring to expedite this progress in order to be able to offer one or more of them commercially during the year.

PROTECTIVE COATINGS DIVISION

Sales of the Protective Coatings Division were at a good rate although lower than the previous year. This decline was caused by reduced gas and oil pipeline construction. Profits of the Division continued to be satis-

factory.

A new product known as "Hotline Enamel" has been added to our hot-applied protective coatings line. It has met with a high degree of immediate success and shows evidence of making a significant contribution to profits.

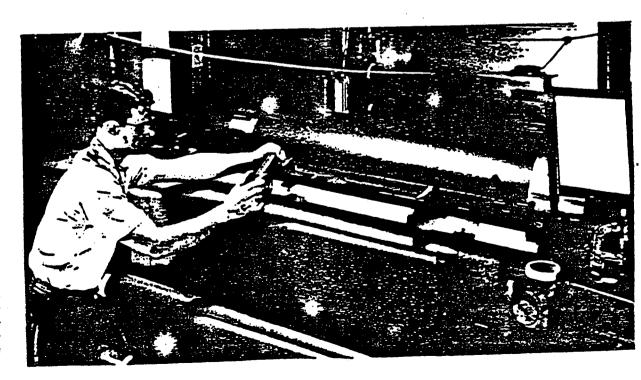
Additional development work and sales effort on cold-applied tar base coatings resulted in a further sales increase for these materials. A new product known as "Pitt Chem Tarset" was also added to the line. While it has been introduced on only a limited basis, it appears to have a wide variety of uses.

It is anticipated that construction in the oil and gas industry will remain active and the business of this Division will likely continue

at a profitable level in 1955.

LABOR RELATIONS

Wage rates were increased in keeping with the industry pattern. No work stoppages have occurred and it is believed that a satisfactory relationship exists between your Company and its employees.



reet the steadily insing demand for burgh PX Plasticizin products such as il sheeting, the Micizer plant oper-¹ well above norcapacity during the year.



Newest addition to Great Lakes' fleet of boats is the RICHARD M. MARSHALL, which helped bring about improvements in operating costs in 1954. The fleet transports iron ore, coal and grain.

GREAT-LAKES STEAMSHIP COMPANY, INC.

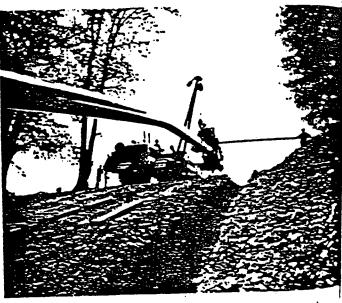
The total tonnage of iron ore, coal and grain transported on the Great Lakes during 1954 was substantially reduced from the previous year. Although Great Lakes Steamship Company's tonnages were also reduced, the company produced a net profit of \$574,000, in comparison with approximately \$900,000 in 1953. On its investment in this 61%-owned subsidiary your Company received dividends amounting to \$189,000 and its equity in undistributed earnings increased by an additional \$143,000.

Even though the total capacity of the fleet was not fully utilized in 1954, the addition of the new boat, the Richard M. Marshall, which was constructed in 1953, brought about an improvement in operating costs. With the present upward trend in the steel industry, a profitable year is forecast for Great Lakes Steamship Company in 1955.

It is with a deep sense of loss that the Company records the death on December 2, 1954 of one of its Directors, Allen Stewart Davison who, together with his father, founded this Company in 1928. Mr. G. E. Dignan, Vice President of the Company, was elected a Director to fill the vacancy on the Board.

THE FUTURE

Your Company has just completed a year during which there occurred a very sharp decline in demand for some of its major products. In spite of the fact that this decline took place at a time when the Company had just finished a \$23,000,000 expansion program, it



The gas and oil industries consume a major portion of the products of the Protective Coatings Division.

was possible to end the year with a profit. The earning of a profit under such adverse conditions demonstrates the Company's ability to withstand severe reductions in the demand for some of its products and shows the fundamental strength of its diversified operating and marketing position.

Business conditions have improved rapidly in the early part of 1955. It is believed that this year will be a successful one for the Company and permit substantial continued progress.

By Order of the Board of Directors
J. H. HILLMAN, JR. R. M. MARSHALL
Chairman of the Board President

PITTSBURGH COKE & CHEMICAL COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF PROFIT AND LOSS and EARNINGS RETAINED IN THE BUSINESS

Years Ending December 31, 1954 and December 31, 1953

	1954	1953
Sales and revenues:		
Gross sales and earnings, less discounts, outward freight, returns and allowances	\$35,667,000	\$52,212,000
Interest, dividends and other income, net	397,000	655,000
	\$36,064,000	\$52,867,000
Costs and expenses:	•	
Cost of sales and operating expenses, including maintenance and repairs of	\$27,660,000	\$40,309,000
\$2,507,000 (1954) and \$2,954,000 (1953)	3,195,000	3,158,000
Depreciation (Note 5)	2,021,000	2,093,000
Taxes other than Federal and state income taxes	606,000	604,000
Interest and amortization of discount on long term debt	\$69,000	613,000
Provision for possible losses on collection of accounts receivable	18,000	60,000
Lidersidit for hossing tosses all consequent of second and second	\$34,069,000	\$46,837,000
Profit before income taxes	\$ 1,995,000	\$ 6,030,000
Provision for income taxes:	•	
Current taxes:	(\$ 218,000)	\$ 1,891,000
Federal income (refund for 1954)	(\$ 218,000) 9,000	153,000
State income	(\$ 209,000)	\$ 2,044,000
Deferred taxes (Note 5):	(\$ 209,000)	3 2,077,000
Federal income	1.057.000	1,044,000
State income	63,000	87,000
State mediae	\$ 1,120,000	\$ 1,131,000
Total current and deferred income taxes	\$ 911,000	\$ 3,175,000
	\$ 1,084,000	\$ 2,855,000
PROFIT FOR THE YEAR	\$ 1,007,000	
Earnings retained in the business at beginning of year	13,512,000	12,566,000
	\$14,596,000	\$15,421,000
Cash Dividends:		
\$5.00 Preferred Stock, \$5.00 per share	\$ 155,000	\$ 159,000
\$4.80 Preferred Stock, \$4.80 per share	282,000	285,000
Common Stock-1954, \$1.00 per share; 1953, \$1.25 per share	917,000	1,104,000
Stock dividend on common stock—2% (16.907 shares at \$20 per share and cash in lieu	•	361,000
of fractional shares)	<u> </u>	\$ 1,909,000
	\$13,242,000	\$13,512,000
Earnings retained in the business at end of year	313,212,000	=======================================
EARNINGS PER SHARE OF COMMON STOCK	\$.71	\$ 2.63
(See Notes to Financial Statements)		

PITTSBURGH COKE & CHEMICAL COMPANY

AND SUBSIDIARIES

Consolidated Balance Sheet, December 31, 1954

ASSETS

CURRENT ASSETS:			
Cash in banks and on hand		\$ 6,790,000	
Accounts receivable, less reserve of \$260,000		3,273,000	
Inventories (Note 1):			
Finished goods\$	6,578,000		
Work in process	370,000		
Raw materials	4,417,000		
Supplies	1,526,000	12,891,000	
Estimated refund of prior years' income taxes (net)		221,000	
Total Current Assets			\$23,175,000
INVESTMENTS, AT COST (Note 2):			
Great Lakes Steamship Company, Inc		\$ 3,830,000	
Other affiliated companies		660,000	
Miscellaneous		298,000	4,788,000
FIXED ASSETS, AT COST:			
Land		\$ 1,147,000	
Buildings, machinery, equipment, etc		, -,-	
Accumulated depreciation	8,308,000	29,185,000	30,332,000
DEFERRED CHARGES AND PREPAID EXPENSES			419,000
)			\$58,714,000

NOTES TO FINANCIAL STATEMENTS

- Note 1: Inventories in the amount of \$4,933,000 are valued at cost determined on the last-in, first-out basis. The remaining inventories are valued at the lower of average cost or market prices.
- Note 2: The equity of the Company in the net assets of Great Lakes Steamship Company, Inc., as determined from financial statements, exceeds its investment therein by approximately \$1,666,000 and the Company's equity in the earnings for the year ended December 31, 1954, exceeded dividends received by \$143,000. The book value of the underlying net assets applicable to the other investments, as determined from financial statements, is approximately equivalent to the amount of the investment.
- Note 3: The payment of dividends on common stock is restricted under the terms of bank loans and of the \$4.80 preferred stock. The amount of earnings retained in the business at December 31, 1954 free from such restrictions is \$5,604,000.
- Note 4: The Company is obligated to set apart on its books, each April 30, a purchase fund for the purchase for retirement and cancellation of serial preferred stock. The remaining portion of the amount set aside on April 30, 1954 was \$59,000 at December 31, 1954. The amount to be set aside on April 30, 1955 is \$60,000.
- Note 5: The Company has obtained Certificates of Necessity from the United States Government with respect to certain plant facilities and is amortizing the certified portion of the cost of these facilities over a five-year period for income tax purposes. However, only normal depreciation on these facilities is being charged against earnings. The excess of the tax amortization over normal depreciation results in temporary tax benefits which have been charged against earnings and credited to Reserve for Deferred Income Taxes. The amount so deferred will be taken into earnings over the remaining useful lives of the facilities commencing upon expiration of the five-year tax amortization period.
- Note 6: Employees, upon retirement, are entitled to pensions under a non-contributory pension plan. The estimated cost of pensions is charged to income as employees become eligible to retire and the pensions are funded over a five-year period from that date. The pension costs, included with operating expenses, were \$30,600 for 1954 and \$33,900 for 1953.

PITTSBURGH COKE & CHEMICAL COMPANY

AND SUBSIDIARIES

Consolidated Balance Sheet, December 31, 1954

LIABILITIES

CURRENT LIABILITIES:		
Accounts payable—trade		\$ 2,883,000
Accrued payrolls		241,000
Long term debt due within a year		1,722,000
Other		401,000
Total Current Liabilities	•••••	\$ 5,247,000
LONG TERM DEBT:		
First Mortgage Bonds Authorized		
First Mortgage Bonds, 31/2% Series, due November 1, 1964	\$ 8,849,000	
Installment notes payable—banks—31/2% due July 1, 1957 payable in three equal semi-annual installments of \$375,000 commencing January 1, 1956 and final payment of \$2,000,000 on July 1, 1957	3,125,000	
Installment notes payable—other—3% due July 1, 1958 payable in approximately equal monthly installments commencing January 1, 1956	1,408,000	13,382,000
RESERVE FOR DEFERRED INCOME TAXES (Note 5)	••••	2,301,000
OTHER RESERVES	•••••	629,000
CAPITAL SHARES AND SURPLUS:		
Serial Preferred Stock-Cumulative:		
Authorized 117,310 shares without par value:		
\$5.00 Preferred Stock (redemption value, \$105 a chare; liquidation value, \$100 a share):	-	
Authorized 48,710 shares-issued 33,462 shares	\$ 3,206,000	
\$4.80 Preferred Stock (presently convertible into Common Stock at the rate of \$33.75 a share; redemption value, \$102 a share; liquidation value—voluntary \$102 a share, involuntary \$100 a share):		
Authorized and issued 58,600 shares	5,684,000	
Common Stock:		
Authorized 1,200,000 shares without par value:		
Issued 977,761.34 shares, stated at	15,200,000	
Capital surplus (increased \$19,000 during 1954 by reason of retirement of Preferred	604.000	·
Stock)		
Earnings retained in the business	13,242,000	
	\$37,936,000	
Capital Stock in treasury, at cost:		
13.00 Ligitied Block and and and	781,000	37,155,000
Common Stock —60,854 shares 539,000	, - 1, - 1	\$58,714,000
t .		440,117,000

PRICE WATERHOUSE & CO.

140 STANWIN STREET PITTSBURGH 22, PA.

February 18, 1955

TO THE BOARD OF DIRECTORS
AND THE STOCKHOLDERS OF
PITTSBURGH COKE & CHEMICAL COMPANY

In our opinion, the accompanying consolidated balance sheet and consolidated statement of profit and loss and earnings retained in the business present fairly the financial position of Pittsburgh Coke & Chemical Company and its subsidiaries consolidated at December 31, 1954, and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Our examination of such statements was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

PRICE WATERHOUSE & CO.

PITTSBURGH COKE & CHEMICAL COMPANY AND SUBSIDIARIES

Divisions and Their Products

Coal Chemicals Division

Ammonium Sulphate Benzal-Nitration Creasate

Cresol, meta, para- and ortho-

2.4-Dichlorophenol Hydrochloric Acid

Isonicatinic Acid

Maleic Anhydride

Naphthalene

Phenol

Phthalic Anhydride

Picoline, alpha- and beta, gamma-

Pyridine (2°)

Sulfuric Acid—66° and Oleum

Tar-Road

Toluene

Xylene,—10°, 5° and 3°

Xylenol

Agricultural Chemicals Division

PV Benzene Hexachloride

NoToxaphene

A DOT

Parathion Wettable Powders

Parathion Liquid Concentrate

h Systox

10℃ 2,4-D Acid

Yeo 2.4-D Amine Concentrates

← 2,4-D Ester Formulated Concentrates

You Ester Weed Killer D-4 (Low Volatile)

44 2.4.5-T Formulations

√C-4 Pre-Emergence Weed Killer (Chloro IPC)

No Cotton Sprays and Dusts

Protective Coatings Division

Pipeline Coatings Maintenance Coatings Industrial Coatings

Fine Chemicals Division

Vat Dyes Pigment Colors

Plasticizer Division

PX-104 DiButyl Phthalate

PX-108 DilsoOctyl Phthalate

PX-114 Decyl Butyl Phthalate

PX-118 isoOctyi Decyi Phthalate

PX-120 DilsoDecyl Phthalate

PX-138 DiOctyl Phthalate

PX-208 DilsoOctyl Adipate

PX-209 DiNonyl Adipate

PX-220 DilsoDecyl Adipate

PX-238 DiOctyl Adipate

PX-404 DiButyl Sebacate

PX-438 DiOctyl Sebacate

PX-800 Epoxy

PX-917 TriCresyl Phosphate

Activated Carbon Division

Granular Carbons For

Solvent Recovery

Corn Sugar Refining

Catalyst Supports Catalysts Air Conditioning

Gas or Liquid Purification

Water Conditioning Pulverized Carbons For

General Purification

Refining and Isolation

Neville Coke Division

Domestic, Foundry, Industrial, Metallurgical Coke

Green Bag Cement Division

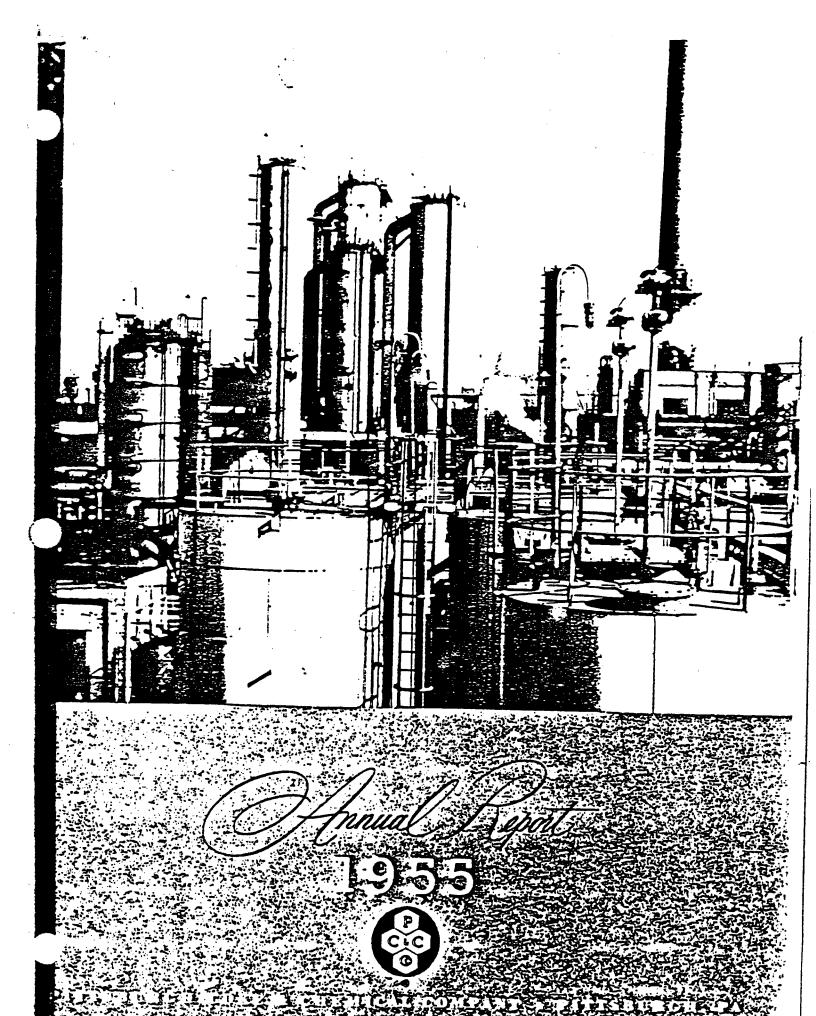
Portland Pozzolan, Waterproofed, Portland, **Green Bag Mortar Cements**

Neville Pig Iron Division

Basic, Bessemer, Intermediate Low Phosphorus, Foundry, Malleable Pig Iron

Neville Concrete Pipe Company

Culvert and Sewer Pipe, Concrete Block, Dax Floor, Roof Systems and Zonatile



1955

HIGHLIGHTS

1955 1954

		Net Sales	356,572,000	232,007,000
		Federal, state and other taxes	4,478,000	1,517,000
		Net Earnings—Tatal	3,093,000	1,084,000
		Net Earnings on Common Stock	2,647,000	647,000
FINANCIAL	•	- Per Share of Common Stock	2.34	71
AND OPERATING		Dividends paid on Preferred Stock	446,000	437,000
		Dividends paid on Common Stock	1,217,000*	917,000
		For Share of Common Stock	1.25*	1.00
		Land, buildings and equipment (gross)	49,289,000	48,640,000
	(Working capital at end'ef year	23,093,000	17,928,000
	(Number of employees at end of year	1,925	1,681
EMPLOYEES	{	Total Wages and Salaries	\$10,378,000	\$8,874,000
	l	Assets employed for each employee	\$ 33,531	\$34,928
	j	Number of Preferred shareholders at end of year	1,546	1,373
•		Number of Preferred shares outstanding.	92,062	89,542
SHAREHOLDERS)	Number of Common shareholders at end of year	4,102	3,619
		Number of Common shares outstanding	1,129,401	916,907
		Common shareholders' equity	\$34,396,000	\$28,201,000
	1	Per share of common stock autstanding	\$30.46	\$30.76

^{*} Plus 1% Slock

TO THE SHAREHOLDERS OF

PITTSBURGH COKE & CHEMICAL COMPANY

March 5, 1956

Financial: The year 1955 saw the achievement of a new sales record of \$56,572,000 by your Company. Net earnings after taxes were \$3,093,000, or \$2.34 per share of common stock, and were approximately three times those of the previous year.

Of particular interest is the fact that the Company generated cash through earnings and depreciation in the amount of \$5,407,000, amounting to \$4.79 per share of common stock, which is substantially in excess of any prior year. In addition a provision was made for deferred income taxes, not currently payable, in the amount of \$1,175,000, equivalent to \$1.04 per common share.

In the first half of the year the Company retired in full its bank debt amounting to \$3,875,000 and long term debt was reduced to less than 20% of capitalization. Working capital reached an all time high of \$23,093,000, including cash in the amount of \$11,217,000.

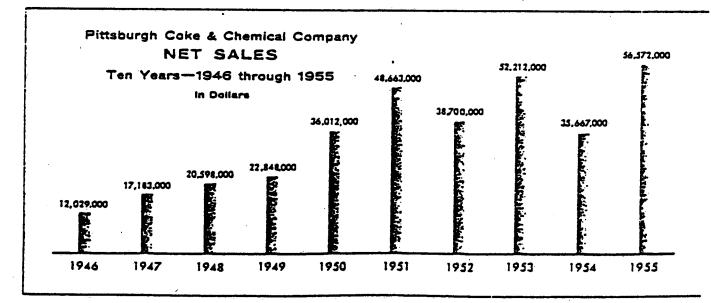
The regular dividends were paid on the \$4.80 and \$5.00 preferred stocks. Quarterly dividends of \$.25 were paid on the common stock and extra dividends of \$.25 in cash and 2% in stock were distributed at year-end.

In connection with the amounts committed

for expansion the Company offered for public sale in December an additional 160,000 shares of its Common Stock and realized from that sale approximately \$4,000,000.

In order to effect stock transfer tax savings for the benefit of holders of Common Stock, a change from no par value Common Stock to a \$10 par value will be presented for approval at the annual meeting to be held April 3, 1956. If approved, such change will reduce federal transfer taxes on 100 shares of Common Stock from \$6.00 to 60¢ under present laws.

Expansion Plans: Throughout the year demand for several of the Company's products was substantially in excess of capacity. In order to meet the demand for certain of these products \$4,000,000 has already been allocated to plant expansion for 1956. Of this amount \$3,000,000 will be used to double the Company's capacity for production of Phthalic Anhydride, a versatile chemical product which is used by the plastics and paint industries and which is also a basic raw material for the production of the Company's own plasticizers. The capacity of the Cement Plant will be increased early in 1956 to 2,000,000 barrels per year, an addition of 400,000 barrels. Several other new projects are



under study which may also be started during the year.

Constructive steps were taken to eliminate unprofitable product lines and are discussed in detail later in the report.

Research: An aggressive research program is being carried on and the number of technical personnel assigned to product and process development was increased during the year.

Labor Relations: Wage rates were increased effective July 1, 1955, following a general industry adjustment. There were no work stoppages during the year and a satisfactory relationship continues to exist between your company and its employees.

Personnel: At a meeting of the Board of Directors on June 10, 1955, J. H. Hillman, Jr., formerly Chairman of the Board, was elected Chairman of the Finance Committee. R. M. Marshall, formerly President, was elected Chairman of the Board, and Henry L. Hillman, formerly Executive Vice President, was elected President. R. M. Moore, Vice President—Sales, was elected to the Board of Directors. J. W. Adams and R. R. Lucas were elected Assistant Treasurer and Assistant Controller, respectively. C. R. Sizemore, Plant Manager, was elected Vice President in September.

G. E. Dignan formerly Vice President— Operations and W. S. Scott, Vice President, retired in the latter part of the year, after many years service with the Company.

Outlook: Your management feels that the Company is in an excellent position to continue the pattern of growth of recent years during which sales have increased to more than 400% of the Company's sales volume of ten years ago.

Prospects for 1956 appear to be generally quite favorable. Operations are presently at a high level and indications are that the current level will be maintained at least through the first half of 1956.

The management wishes to thank its share-holders, employees, customers and suppliers for their loyal support during the past year.

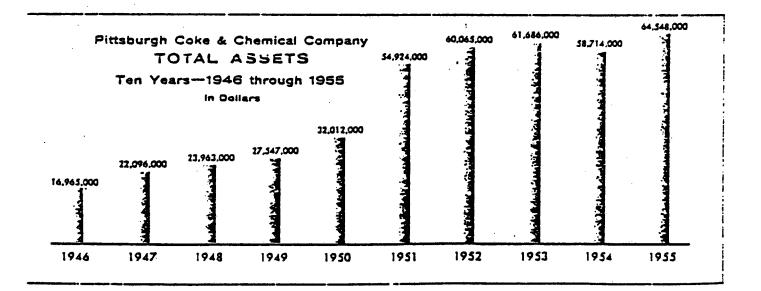
By order of the Board of Directors.

12kg Wanbar

R. M. MARSHALL
Chairman of the Board

My L. Chillie

HENRY L. HILLMAN
President



Review of Operations

Basic Group

The Coke and Iron Division was formed in 1955 by consolidating the former Coke and Pig Iron Divisions in order to provide for greater efficiency in planning and operation of the two closely related areas.

A return during the year of strong demand for pig iron and coke in both the steel and foundry industries gave the division its first opportunity for extensive operation of its new blast furnace and supporting coke ovens, the construction of which was completed in 1953. As a result both blast furnaces at the Neville Island Plant were operated throughout the year. Demand for pig iron was particularly good in the ingot mold, cast iron pipe, automotive and agricultural equipment fields.

The coke ovens operated at rated capacity. The division's coke marketing position was substantially strengthened during the year by increased demand for high quality Neville Foundry Coke which was first introduced in the latter half of 1954 and by the addition of a long term

coke sales contract with a steel company.

The division was able in 1955 to increase both coke and pig iron prices sufficiently to cover increases in raw material and labor costs.

The Cement Division again set new records in sales, production and shipments. By operating the plant somewhat above normal rated capacity the division was able to ship approximately 1,700,000 barrels of cement.

A plant expansion program is currently underway which will increase 1956 cement production capacity to approximately 2,000,000 barrels per year through investment of \$500,000. This represents an approximate 25% increase in rated capacity.

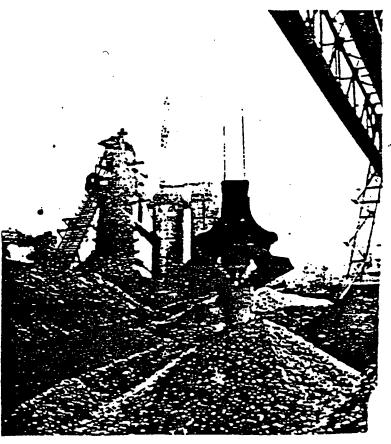
Prospects for 1956 cement sales are excellent. Our Portland-Pozzolan Cement is in strong demand and a substantial river dam and municipal building program is under-way in the Pittsburgh area.

The Neville Concrete Pipe Co. Division enjoyed a good year in 1955 in its standard concrete pipe products and made additional prog-

Frong demand by the automotive, agricultural equipment and wher industries provided a ready market for Neville Foundry Coke in 1955.

Increased activity in the nation's steel and foundry industries kept the Company's blast furnaces at Neville Island operating at high levels throughout the year.





ress in the development of markets for its specialty building products including lightweight roof slabs and prestressed beams constructed of concrete block.

The division has formed a joint venture. Allegheny Concrete Pipe Associates, with the American-Marrietta Company for the purpose of manufacturing and supplying concrete pipe for the Allegheny County Sanitary Authority sewer system. Construction of this system will involve more than sixty miles of lines at a cost of over \$80,000,000. Work is expected to start in the Spring of 1956 and to extend over the next thirty months.

Chemical Group

The Activated Carbon Division made substantial progress in 1955 in expanding commercial applications for its coal based activated carbon.

Originally developed for the government's use as a gas mask adsorbent, the division's activated carbon is being used by an increasing number of industries in their manufacturing operations.

Pittsburgh's activated carbon has been successfully used in the corn sugar retning industry for several years. During 1955 a long term program of research and cooperation with the sugar industry culminated in introduction of our carbon into cane sugar refineries. As a result the potential market for the division's product has been broadened.

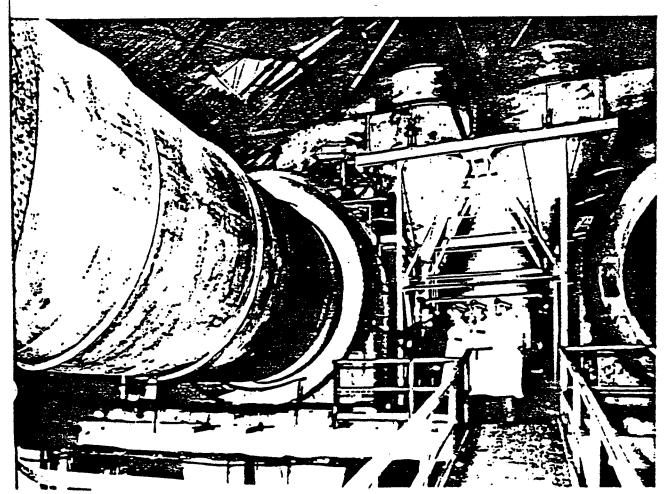
An intensified sales effort during 1955 also resulted in a very substantial increase in the division's sales to the chemical industry.

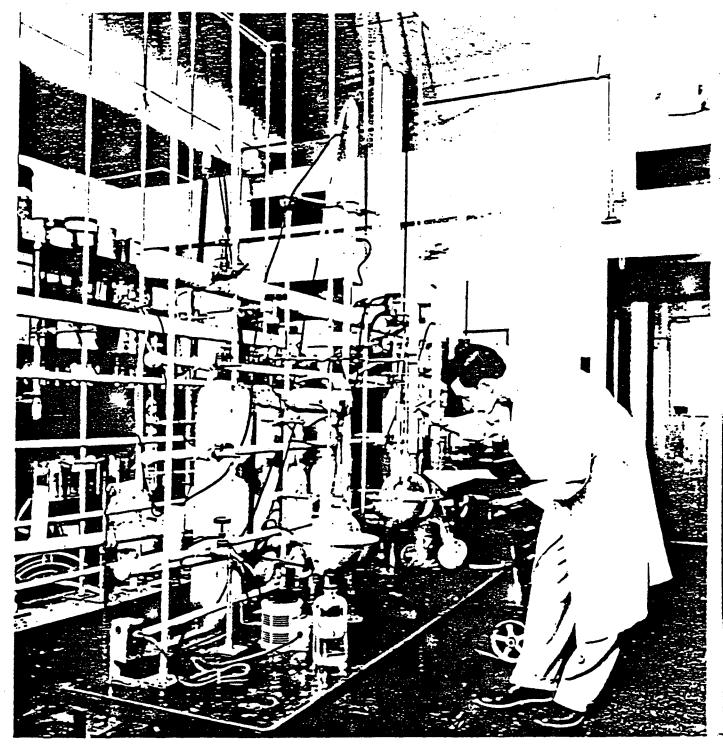
Commercial sales of activated carbon have now grown to the point where sales to the government make up a relatively small portion of the division's total sales although it continues to be the primary source for gas mask carbon.

The Industrial Chemicals Division was created during the year by consolidating the former Coal Chemicals and Plasticizer Divisions. By merging the activities of these interrelated divisions, it has been possible to increase substantially the division's program for expansion of markets and development of new products.

The coal chemical plants which produce essential intermediate materials used in the manufacture of such products as plastics, paint and

After a record sales year in 1955, the Cement Division will increase its output to approximately 2 million barrels in 1954 through a speed-up of its 300-ton, 175-foot-long kilns, one of which is illustrated below.





The Company's research program continued at an accelerating rate during the year. Additional personnel were assigned to product and process development.

pharmaceuticals, operated at a high level throughout 1955 and sales showed substantial increases over the previous year. The division will construct during 1956 a \$3,000,000 plant which will double its production of phthalic anhydride, a product which is both used in the division's own plasticizer production and sold to others.

The plasticizer plant set a new record for production. Sales of plasticizers increased very substantially over 1954 which was in itself a record sales year for Pittsburgh's plasticizers. Sales of new plasticizers introduced prior to the beginning of the year showed striking increases and several new products were added to the line during 1955. Further expansion of plas-

ticizer production is currently under study.

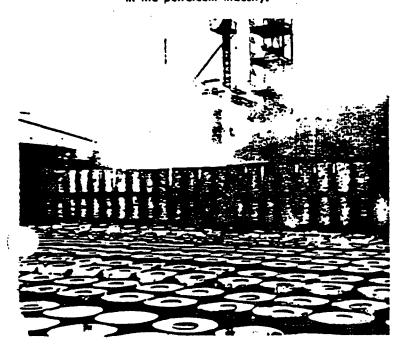
Protective Coatings Division sales exceeded expectations and were well ahead of 1954.

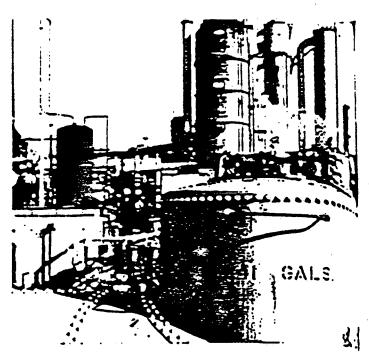
The Division is a major supplier of hot applied enamels for use on oil and gas transmission lines and is expanding its product line through intensive research and development work.

Sales activity in the division's cold applied contings for protection of industrial plants and equipment was increased during the year. The response of the trade to such new products as Pitt Chem "Tarset" has been excellent. Indications are that sales of industrial coatings will become an increasingly important factor in the division's total sales and in broadening its

markets. The Agricultural Chemicals Division, although it has established a national position in its field and in particular has developed an outstanding marketing group, has not been profitable. Several years ago the Company, together with Geary Chemical Corp. and the German chemical company, Farbenfabriken Bayer ot Leverkusen, formed Chemagro Corporation, one third owned by each, for the purpose of establishing markets in this country and Canada for Bayer's agricultural chemical developments in phosphate insecticides. Chemagro Corporation, although of limited size, has been profitable. In recent years it has become increasingly evident that a well integrated company of substantial size and with particular strength in research and sales could become outstandingly successful in the agricultural chemicals field. For this reason your Company is in the process of transferring its agricultural chemicals sales activities to Chemagro, Chemagro will sell in

Production and sales of Pitt Chem protective coatings were well ahead of 1954. A new cold applied coating, "Tarset", enjoyed an excellent reception in the petroleum industry.





Steady demand for intermediate materials by the paint, plastics, pharmaceutical and other industries resulted in a substantial increase in the sale of Pittsburgh Industrial Chemicals in 1955.

the American markets the agricultural chemical products developed and to be developed through Bayer's outstanding research department. The voting stock of Chemagro Corporation will be held equally by Bayer and your Company. Chemagro will become a sizeable and well balanced agricultural chemical company with excellent prospects.

The Fine Chemicals Division has had a minor position in the dyestuffs field. Entry into this field unfortunately coincided with a severe deterioration of the price and profit structure of the industry. Your management decided in 1955 that continued participation in this market under such unfavorable conditions would be unwise. Accordingly it has withdrawn from the direct sale of dyestuffs to textile manufacturers. This has made it possible to discontinue low volume dyestuffs and to devote the manufacturing plant to production of other special chemical products and to those dyestuffs which can be manufactured profitably for resale by others.

Great Lakes Steamship Company

Earnings of the Great Lakes Steamship Company, Inc. in which your company owns the majority interest, were \$995,000, a substantial increase over the \$574,000 earned in the prior year. The increased earnings reflect a substantial increase in the tonnages of iron ore, coal and grain transported during the 1955 season.

On its investment in Great Lakes, your company received dividends in the amount of \$247,000. Its equity in the subsidiary was also increased by an additional \$287,000 as a result of earnings retained in the business.

PITTSBURGH COKE & CHEMICAL COMPANY and SUBSIDIARIES

Consolidated Statement of Income and Income Retained in the Business

.S.

FOR THE YEARS ENDING DECEMBER 31

	1955	1954
Sales and revenues:		
Net sales	\$56,572,000	\$35,667,000
Interest, dividends and other income, net	625,000	397,000
	\$57,197,000	\$36,064,000
Costs and expenses:		
Cost of sales and operating expenses, including maintenance and repairs of \$3,327,000		
and \$2,507,000	\$42,895,000	\$27,660,000
Selling and administrative expenses	3,974,000	3,213,000
Depreciation	2,314,000	2,021,000
Taxes other than Federal and state income taxes	822,000	606,000
Interest and debt discount	443,000	569.000
	\$50,448,000	\$34,069,000
INCOME BEFORE TAXES ON INCOME	\$ 4,749,000	\$ 1,995,000
Provision for current income taxes:		
Federal (refund for 1954)	\$ 2,278,000	\$ (218,000)
State	203,000	9,000
	\$ 2,481,000	\$ (209,000)
INCOME BEFORE PROVISION FOR DEFERRED INCOME TAXES	\$ 4,268,000	\$ 2,204,000
Provision for deferred income taxes (Note 4):		
Federal	\$ 1,085,000	\$ 1,057,000
State	90,000	63,000
	\$ 1,175,000	\$ 1,120,000
INCOME FOR THE YEAR	\$ 3,093,000	\$ 1,044,000
Income associated in the hostings of the hosting of the contract		
Income retained in the business at the beginning of the year	13,242,000	13.512.000
Cash Dividends:	\$16,335,000	\$14,596,000
\$5.00 Preferred Stock—\$5.00 per share		4 .44 444
SA SA Benformed Stock - 64 SA one observe	\$ 164,000	\$ 155,000
\$4.80 Preferred Stock—\$4.80 per share	282,000	282,000
Common Stock—31.25 per snare; \$1.00 per snare	1,217,000	917,000
Stock dividend on common stock—2% (21,208 shares at \$25.50 per share and cash in lieu of		
fractional shares)	567.000	
Stock dividend on common stock—2% (21,208 shares at \$25.50 per share and cash in lieu of fractional shares)	\$ 2,230,000	\$ 1,354,000
Income retained in the business at the end of the year		
are business at the end of the Jear	\$14,105,000	\$13,242,000
EARNINGS PER SHARE OF COMMON STOCK (based on number of		
shares outstanding at the end of respective years)	\$ 2.34	\$.71

(See Notes to Financial Statements)

PITTSBURGH COKE & CHEMICA

CONSOLIDATED

DECEMBER 31, 1955 A

ASSETS

1 9 5 5 \$11,217,000 5,329,000 256,000	\$ 6,790,000 3,273,000 221,000
5,329,000 256,000	3,273,000
5,329,000 256,000	3,273,000
256,000	
	221,000
6,874,000	
546,000 4,665,000 1,387,000 \$13,472,000 \$30,274,000	6,578,000 370,000 4,417,000 1,526,000 \$12,891,000 \$23,175,000
	·
3,330,000	3,830,000
1,361,000	660,000
380,000	298,000
5.071,000	\$ 4,788,000
1,067,000	1,147,000
27.809.000	29,185,000
	\$30,332,000
327,000	419,000
	1,361,000 380,000 5 5,071,000 1,067,000 27,809,000 \$28,376,000

(See Notes to Financial Statements

MPANY and SUBSIDIARIES

ALANCE SHEET

EMBER 31, 1954

IJABILITIES

	1955	1954
CURRENT LIABILITIES:		
Accounts payable—trade	\$ 2,450,000	\$ 2,883,000
Accrued payrolls	468,000	241,000
Federal and state income taxes	2,418,000	
Long term debt due within a year	1,198,000	1,722,000
Other	647,000	401.000
Total Current Liabilities	\$ 7,181,000	\$ 5,247,000
LONG TERM DEBT:		
First Mortgage Bonds Authorized		
First Mortgage Bonds, 31/2 % Series, due November 1, 1964	8,148,000	8,849,000
Installment notes payable to banks-31/2 %		3,125,000
Notes payable to customers as material is delivered—3%, payable in approximately equal monthly installments commencing January 1, 1957—final due date July 1, 1958	1.012.000	1,408,000
Total Long Term Debt	\$ 9,160,000	\$13,382,000
RESERVE FOR DEFERRED INCOME TAXES (Note 4)	3,476,000	2,301,000
OTHER RESERVES	1,129,000	629,000
STOCKHOLDERS' EQUITY:		
Serial Preferred StockCumulative (Note 3):		
Authorized 240,000 shares and 117,310 shares without par value: \$5,00 Preferred Stock—Authorized 48,710 shares; issued 33,462 shares	3,206,000	3,206,000
S4.80 Preferred Stock—Authorized and issued \$8,600 shares	5,684,000	5,684,000
Common Stock, without par value:	2,004,000	2,004,000
Authorized 2,400,000 shares and 1,200,000 shares:		
Issued 1,159,066.34 shares and 977,761.34 shares, stated at	19,760,000	15,200,000
Capital Surplus (Note 5)	1,115,000	604,000
Income retained in the business	14,105,000	13,242,000
Less—Capital Stock in treasury, at cost: \$5.00 Preferred Stock—2,520 shares	(268,000)	(242,000) (539,000)
Total Stockholders' Equity	\$43,602,000	\$37,155,000
TOTAL LIABILITIES	\$64,548,000	\$38,714,000

(See Notes to Financial Statements)

NOTES TO FINANCIAL STATEMENTS

Note 1 -- inventories

Inventories of iron ore, coal, pig iron, coke and cement, in the amount of \$5.569,000 at December 31, 1955, are valued at cost determined on the last-in, first-out basis. The remaining inventories are valued at the lower of average cost or market prices.

Note 2-Investments

The equity of the Company in the net assets of Great Lakes Steamship Company, Inc., as determined from financial statements, exceeds its investment therein by approximately \$1.821,000 and the Company's equity in the earnings for the year ended December 31, 1955, exceeded dividends received by \$287,000. The book value of the underlying net assets applicable to the other investments, as determined from financial statements, is approximately equivalent to the amount of the investment.

Note 3-Preferred Stock:

The \$5.00 Preferred Stock is redeemable at \$105 per share, and is entitled on voluntary or involuntary liquidation to \$100 per share, plus accrued and unpaid dividends. The \$4.80 Preferred Stock is redeemable and entitled on voluntary liquidation to \$102 per share on or before December 31, 1957, thereafter to \$101 per share on or before December 31, 1961 and thereafter to \$100 per share, and is entitled on involuntary liquidation to \$100 per share, plus accrued and unpaid dividends.

The \$4.80 Preferred Stock is presently convertible at any time into Common Stock at \$32.75 per share of Common Stock on or before December 31, 1956 and thereafter at \$36.50 per share of Common Stock on or before December 31, 1961, 178,931 shares of Common Stock are now reserved for these conversion privileges.

The Company is obligated to set apart on its books, each April 30, a purchase fund for the purchase for retirement and cancellation of serial preferred stock. Of the amounts previously set aside there remained \$98,000 at December 31, 1955. The amount to be set aside on April 30, 1956 is \$104,000.

Nate 4-Deferred Income Taxes:

The Company has obtained Certificates of Necessity from the United States Government with respect to certain plant facilities and is amortizing the certified portion of the cost of these facilities over a five-year period for income tax purposes. However, only normal depreciation on these facilities is being charged against income. The excess of the tax amortization over normal depreciation results in temporary tax benefits which have been charged against income and credited to Reserve for Deferred Income Taxes. The amount so deferred will be taken into income over the remaining useful lives of the facilities commencing upon expiration of the five-year tax amortization period.

Note 5—Capital Surplus:

During the year, the Company sold from treasury stock 2.520 shares of \$5 preferred stock and \$1.286 shares of common stock at \$94 and \$25.25 per share, respectively. The excess (\$511,000) of the sales price over the cost was credited to capital surplus.

Note 6-Pension Plan:

Employees, upon retirement, are entitled to pensions under a noncontributory pension plan. The actuarially estimated cost of pensions is charged to operating expenses as employees become eligible to retire, and the pensions are funded over a five-year period from that date. In 1955, pension benefits were increased to conform to the revised pattern established in the steel industry during 1954. Pension expense amounted to \$31,000 for 1954, \$167,000 for 1955, and is estimated at \$66,000 for 1956.

AUDITOR'S REPORT

PRICE WATERHOUSE & CO.

Two Gateway Center Pittsburgh 22, Pa.

February 22, 1956

TO THE BOARD OF DIRECTORS
AND THE STOCKHOLDERS OF
PITTSBURGH COKE & CHEMICAL COMPANY

In our opinion, the accompanying consolidated balance sheet and consolidated statement of income and income retained in the business present fairly the consolidated financial position of Pittsburgh Coke & Chemical Company at December 31, 1955, and the consolidated results of operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Our examination of such statements was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

PRICE WATERHOUSE & CO.

PITTSBURGH COKE & CHEMICAL COMPANY

R. M. Marshall, Chairman

W. L. Affelder

J. Burton Ayers

Henry L. Hillman

Directors

J. H. Hillman, Jr.

T. W. Kirkpatrick

Robert M. Moore

H. R. Mustard

Thomas Watson

Finance Committee

J. H. Hillman, Jr., Chairman

Henry L. Hillman

R. M. Marshail

Robert M. Moore

H. R. Mustard

R. M. Marshall, Chairman of the Board

Henry L. Hillman, President

W. Kenneth Menke, Vice President-Chemical Divisions

Robert M. Moore, Vice President-Sales

Officers

Clifford R. Sizemore, Vice President-Plant Manager

T. W. Kirkpatrick, Secretary:

H. R. Mustard, Treasurer and Controller

John W. Adams, Assistant Treasurer

Robert R. Lucas, Assistant Controller

Transfer Agents

FIDELITY TRUST COMPANY
414 Wood Street, Pittsburgh 22, Pa.

CHEMICAL CORN EXCHANGE BANK 10 Broad Street, New York 15, N. Y.

Registrars

PEOPLES FIRST NATIONAL BANK & TRUST COMPANY

Wood Street at Fourth Avenue, Pittsburgh 22, Pa.

NEW YORK TRUST COMPANY 100 Broadway, New York 5, N. Y.

PITTSBURGH COKE & CHEMICAL COMPANY and SUBSIDIARIES

DIVISIONS AND THEIR PRODUCTS

Coke and Iron Division

Neville Pig Iron

Basic, Bessemer, Intermediate Low Phosphorus,

Foundry, Malleable Pig Iron

Neville Coke

Damestic, Foundry, Industrial,

Metallurgical Coke

Cement Division

Portland Pazzalan Cements

Waterproofed Cement

Green Bag Mortar Cement

Concrete Pipe Division

Culvert and Sewer Pipe, Concrete Block,

Dax Floor, Roof Systems and Zonatile

Activated Carbon Division

Granular Carbons for

Solvent Recovery

Catalysis

Air Purification

Hydrocarbon Separations

Gas Purification

Cane Sugar Refining

Corn Sugar Refining

Chemical Solution Purification

Water Conditioning

Odor Removal

Pulverized Carbons for

Decolorization and Purification of

Organic and Aqueous Liquids.

Protective Coatings Division

Pipeline Coatings

Maintenance Coatings

Industrial Coatings

Creosote, pitch and road tars

Industrial Chemicals Division

Coal Chemicals

Benzene

Toluene

Xylene

Phthalic Anhydride

Maleic Anhydride

Fumaric Acid

Pyridine

Alpha Picoline

Beta Gamma Picoline

Phenal

Ortho Cresol

Meta Para Cresol

Ammonium Sulfate

Sulfuric Acid
Oleum

Phthalocyanines

Plasticizers

PX-104 DiButyl Phthalate

PX-108 DilsoOctyl Phthalate

PX-114 Decyl Butyl Phthalate

PX-118 IsoOctyl Decyl Phthalate

PX-120 Dilso Decyl Phthalate

PX-138 DiOctyl Phthalate

PX-208 DilsoOctyl Adipate

PX-218 IsoOctyl Decyl Adipate

PX-220 Dilso Decyl Adipate

PX-238 DiOctyl Adipate

PX-404 DiButyl Sebacate

PX-438 DiOctyl Sebacate

PX-800 Epoxy

PX-917 TriCresyl Phosphate

SPECIAL CHEMICALS

Chlorinated Phenals and Cresals

2,4-0 Acid. Esters

2,4,5-T Acid, Esters

Cleveland

SALES OFFICES

Pittsburgh

New York

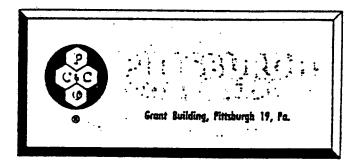
Chicago

St. Louis

Tuisa

Houston

Las Angeles



أمرتمايه

January Lie 1955

Mr. W. K. Menke c/o Mr. Robert Steidle Tiberiusstrasse (23) Heddernheim Frankfort, Germany

Dear Ken:

Enclosed is a memo giving a somewhat different slant or further approach to the Chemagro problem which, after consideration, appears to have some merit as a possible, permanent solution for the situation that exists.

This is not out of keeping with the program you outlined to Dr. Loehr, except the fourth point when you said, "Consider staffing separate joint company or consider fusing with Pitt-Ag-Chem Division." While it would not be impossible to fuse Chemagro with our Ag-Chem Division, it is my guess that if we are doing a successful marketing job and had an extensive organisation built up, it would constitute such an asset in our own minds that we would not be in favor of making such a move.

While it may be difficult to sell Bayer the idea which I have outlined, I feel that now is the best time to do it, while they are very much aware of the weakness of Chamagro's marketing position. To go further into Chamagro through a fifty-fifty ownership and then bring up the question of our handling the marketing management on a permanent basis, would put us in a weak bargaining position.

It is my impression that you and Morb have done a wenderful job in opening them up to consideration of a permanent alliance on equal terms. I therefore feel that new is the best time to try to wrap it up in a permanent way for the future.

The thoughts expressed herein are difficult to explain adequately without having an exportunity to discuss them directly with you, and in
my desire to get this off to you in the mail, I might not have expressed
them clearly. I therefore suggest that if there are any questions in
your mind, that you shows me to clear up any possible misunderstandings.

With best regards, .

Sincerely yours,

Kenry L. Hillman

Inc.

W 02951

Front Henry L. Ellinson

Subject: GERMAGRO CORPORATION

I have carefully reviewed your letter of January 7 from Cologne. I agree wholeheartedly with the points which you made to Dr. Loenr regarding Chemagro's problems in communications, management, and status in the industry. I also agree with the points which you outlined in your cable of January 6, except as outlined below.

The main reservations that remain in my mind are whether a fifty-fifty owned company is Bayer's ultimate goal or only a means to some further objective (probably a wholely-owned United States company). While a fifty-fifty semed company may be their stated ultimate goal at the moment, we must always keep in mind that they like the idea of having their own company in the United States and may become discontant with anything less in the future. For this reason I feel that we must decide now on a permanent relationship that will be satisfactory to Bayer but will also give us the strength and position that we want and need on a permanent basis. The only way that I can visualize that this can be done safely is through obtaining:

- 1. A firm contract with Bayer regarding the information and products they give us.
- 2. A clear agreement as to who will be responsible for the various functions of Chamagro in the future, with P.C.& C. being entirely responsible for the management of its marketing activities.

1. Bayer Contract:

It is time for Bayer to decide whether or not all of their products in the agricultural chemical field should be turned over to Chemagro in the United States on a basis that would be definitely binding and permanent. It would appear that this can perfectly well be done through an amendment of the present centract with the Seary Chemical Company, which company we would jointly buy. In this regard it should be recalled that it was our understanding that it was Bayer's intent to firm up this contract when the var-time regulations that hampered their actions at that time were eliminated.

2. P.C.& C's, and Bayer's Responsibilities in Chamagro!

There are only two important phases of the agricultural chemical activity that sammet be obtained rather readily. The first is productive research and the second is an affective marketing organization. It is possible for us or Bayer in the fature to have products manufactured for us by other companies (and in some cases it may be actually preferable to de so). It is also possible to obtain adequate administrative talent to run the administrative and of Chemagro.

03982

develop repidly an effective research erganisation such as Enjer's, nor is it possible for Enjer to develop a miristing erganisation as effective as Pittsburgh's without a great deal of time and expense. It is for this reason I feel that Pittsburgh must always keep absolute control of its own marketing organisation. Once it became merged into Chemagro, Enjer would be in a position of being able to make us want to sell our interest to them by staying the company research-wise through their ability to turn their research information on or off at will. While this would hurt their interest in Chemagre as much as it would hurt ours, they might easily justify a sizable monetary loss in order to gain complete control of what them might be a sizable successful company in the United States.

For this reason it appears that we should push towards the accomplishment of the first three points mentioned in your cable, but consider delaying the fourth (regarding the staffing of the joint company or fusing Chemagro with our Agricultural Chemical Division), into the distant future when Chemagro might be a very successful company which could justify its own marketing organization and its own research organization, (thereby replacing P.C.& C's. marketing and Bayer's research activities).

Leasing of Ag-Chem Division Management and Sales Organization:

It would appear that you could expand the idea of "renting or leasing" a percent of our Ag-Chem management and sales organisation in your further discussions with Dr. Loehr by saying that after further thought, you felt it would be satisfactory to "lease" a pertion of our direct sales organization on a temporary basis, but that the sales management function should be "leased" on a permanent basis. Both could be done in the same manner as we are in effect "leasing" Bayer's research (as a percent of total sales).

I-mediate Objective with Parer:

when we went into Chemagro in the beginning we were fundamentally making a decision to buy Bayer's research ability. Although we have experienced many problems with regard to Bayer's fulfilling their research function, we are fundamentally satisfied with this phase of the relationship and wish to continue it.

previous plan of setting up in Chamagro an erganization that sould handle the marketing problems is not workable on an efficient, economic basis. Therefore, it is now time for Bayer to determine whether or not they want to make Chamagro a true partnership by aligning themselves with our marketing management abilities, on a basis that would make them as dependent on our marketing management as we are dependent on their research activities. This would leave Chamagro with the two fundamental purposes of filling an assounting function for dividing profits and an administrative function of econdinating all activities. (This sould be handled by the four-managementive committee, as you suggested.)

W 03983

setivities of themere, we should be paid some recommends, fixed percentage, such as \$5, on all products sold. The listue from this would be worth while but of secondary importance to having permanent control.) If our own P.C.& C. sales force actually sold these products, we would be separately compensated on the same sales commission basis that would be offered to any other company such as Bow, Measure, etc.

Summary and Conclusion:

It is only worth while increasing our interest in Chemagro to 50% and giving it an increased amount of effort and attention, if we can assure curselves that the move is (a) permanent, (b) that we will be fully compensated for our efforts and, (c) that we will have enough strength in our position to be able to maintain it indefinitely into the future. The answer to these problems seems to lie in our solling Bayer that the management of Chemagro's marketing activities should be permanently placed in the hands of our Agricultural Chemical Division, for which we would be compensated on a fixed percent of sales basis in the same manner as Bayer is now compensated for its research efforts. If this can be accomplished, it makes Chemagro a true partnership with a logical purpose for Chemagro Serporation in serving as a mechanism for the division of profits and the administrative coordination of other activities.

We can have a true alliance of two experts, one in research and one in agricultural chemical merchandising in the U.S.A., each concentrating on the thing he does best, or we can continue to have a half-crippled, ill-conseived mongrel that can limp along, possibly making a profit, but never attaining the full potential that exists.

Kenry L. Killman

HLE: jam

A 03951

Subject: MEMORANDUM OF DISCUSSION OF APRIL 12, 1955

Purpose of Meeting:

A meeting was held on Tuesday, April 12, 1955 in Mr. Pflueger's office in New York City, attended by Dr. Loehr, Nessrs. Pflueger, Tomasek and Hillman, for the purpose of discussing a possible means of achieving a closer working relationship between Bayer and Pittsburgh in the agricultural chemical field.

Background of Discussion:

While both companies are participating in Chanagro, it is recognised that conditions have changed in the agricultural chanical business, with the result that Chanagro is not satisfactorily filling the needs of Bayer and Pittsburgh as originally intended.

This has been caused by:

- 1. Rapid growth in agricultural chemical business in the United States.
- 2. Trend towards companies becoming integrated from research and manufacturing all the way to the sale of the finished, formulated product.
- 3. Growing strength of six to ten companies which will ultimately dominate the agricultural shemical business.

Chemagro's Position:

l. Marketing - It was recognised that Chemagro does not have a marketing organisation adequate to earry out the fullest commercialisation of the agricultural chemical development by Bayer.

It was further recognised that Chemagro does not have available to it a line of agricultural chemical products that is large enough to make an effective marketing erganisation economically feasible.

Chemagro has not been able to develop a widely-recognized position in the trade that is comparable to the major factors.

It is believed that it would be seconomically impractical for Changes to attempt to develop such a desired position at this late date in sompetition with the major well-established fashers.

Pinencial - Chemagre was supported financially in the deriler stages by Pittsburgh, and more recently by Pittsburgh and Bayer.

If substantial success is he exhieved in the agricultural

If substantial success is to be echieved in the agricultural chemical field, it is believed that the financial backing require from the partners will be beyond capabilities expressed to date of the Geary group.

Pittsburgh's Position:

In its seven years in the agricultural chemical business, Pittsburgh has developed a sizable marketing organization and is recognized as one of the larger factors in the business.

Although past severe competition and price cutting in the trade have caused unsatisfactory profit margins in many products throughout the industry, it is felt that the industry has reached a state of greater stability which will continue to improve.

Pittsburgh has done a moderate amount of research on its ewn in agricultural chemicals, and currently has some products which appear to be of interest - especially applicable for wheat rust. Pittsburgh has also recently completed an arrangement with the Ethyl Corporation to take over the research program they have sarried on for the past few years. There are indications that this program will produce a number of products of commercial interest for a variety of applications. One of these is a fungicide which appears to be of particular promise.

While this current work of Pittsburgh's shows promise of developing commercially attractive products that would be marketable in the mext two to three years, Pittsburgh feels that it must make a decision to invest much larger amounts in a research program that would produce results five years from now or beyond.

New Arrangement:

In comparing Chemagro's weaknesses or needs with Pittsburgh's even position in the agricultural chemical field, it became rather obvious that the things which were lacking in one were available in the either, and for that reason it appeared advisable to discuss a revised, closer association between Bayer and Pittsburgh, whereby the agricultural chemical developments of Bayer could be sommercialised to the fullest extent in the American market through Pittsburgh's established sales organization. It was further evident that the financial aims and sapabilities of Bayer and Pittsburgh were quite similar, whils those of the Geary group were quite differents.

For this reason it was proposed that a new arrangement to established

For this reason it was proposed that a new arrangement to established which would be owned fifty-fifty by Bayer and Pittsburgh, which would which would serve as a operate as an individual autonomous entity, and would serve as a permanent basis as a medium through which Bayer and Pittsburgh would handle all of their agricultural chamical activities in the United States.

e(During the discussion it was brought out that certain activities of both sompanies were not properly considered a regular agricultural chemical activity, such as Bayer's Vero Beach experimental station which under takes certain work for Bayer for their world-wide agricultural chemical activities, and Pittsburgh's Charmer cultural chemical activities, and Pittsburgh's Charmer and would include other than agricultural chemicals.

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Marketing:

Chemagro Pittsburgh's agricultural chemical sales organization. An attempt will be made to estimate the effect of the newly acquired sales organization on what might be considered Chemagro's normal activities. It is believed that with the business which the Pittsburgh organization will be able to obtain, it will more than eever its own expenses and will serve as a means of commercializing future developments to the maximum degree.

Manufacturing:

It is the intent that the newly revised Chemagro Corporation would make the best arrangement possible to have its products manufactured for it by outside companies, with the understanding, however, that since Pittsburgh is in the chemical manufacturing business that it be offered any manufacturing contract on terms equal to these offered by any other outside supplier.

It would also be the joint intent that Pittsburgh would be the 2,4-D supplier to Chemagro under some arrangement whereby the new sompany would obtain a price equal to or better than it can get elsewhere. In order to assure the new company being kept in such an advantageous position, Pittsburgh is contemplating construction of a new 2,4-D plant and possibly will plan to produce 2,4-D for another company plant and possibly will plan to produce 2,4-D for another company that now has 2,4-D facilities which will be shut down under the proposed arrangement. This would afford Chemagro an assured source of supply for 2,4-D which will constitute one of the main, staple items of its line of products.

Research:

While it is contemplated that the majority of its entomological developments will some from the research work that is constantly being undertaken by Bayer, it would be the intent of Chemagre to carry on any necessary application research conserning formulations, residue studies, etc. and to do research in these areas of interest in which Bayer is not active.

While it is the untual intent to avoid duplication of effort, it is believed that in the initial stages certain pertions of the Fittsburgh research work which has been acquired from Ethyl Corporation might duplicate some of Bayer's activities. The entire program would be jointly reviewed and those portions of it selected which seem to warrant the greatest immediate effort. While suplication should be avoided, Chemagro must be careful to see that adequate coverage is maintained in all the areas of agricultural shemical development that are of greatest semmercial importance in the United States.

While certain of the Chemagro research activities have been parried out in Pittsburgh's laboratories, it is Felt that it would be more beneficial to Chemagro to have such research activities maintained separately as soon as such an arrangement can be worked out.

Pinance:

It is contemplated that Bayer and Pittsburgh would jointly purchase the Geary stockholders' interests. It should be possible to give any further additional financial support that might be needed in the future through additional bank loans supported by the credit of the two parent companies. The financial objectives were discussed and it was tentatively concluded that both Bayer and Pittsburgh are most interested in gradually building up a sizable company rather than in paying out earnings in dividends. However, it was pointed out by Dr. Lochr that Bayer might find it desirable to have dividends paid at times to meet certain financial standards regarding their fereign investments.

Administration:

It is believed that it would be satisfactory to both parties to have George W. Hill, Jr. serve as President of the newly revised sempany because of his knowledge of its present activities and the integrity and ability which he can bring to such a position.

Vero Beach Laboratories:

While it was agreed by Dr. Loehr that Chemagre would serve as a medium for all of their agricultural chemical activities in the United States, he explained that their Vero Beach experimental station was maintained for the purpose of undertaking experiments for their world-wide agricultural chemical developments and not selely limited to the United States. They, therefore, wish to maintain this unit separately, and it is felt that Pittsburgh has no objection to this ... The state of the s

Charmer Department:

It was explained by Mr. Hillman that Pittaburgh's Charmer Department. was established as a consumer merchandising activity, all the sales activities of which are entirely separate from Pittsburgh's agricultural chemical division; and it is therefore contemplated that the Charmer Department would not be transferred to Chemagre with the agricultural chemical organization. It was explained that it happens that the first product "Fly Charmer" is based on an agricultural chemical product. However, it has always been contemplated that the department would include products other than agricultural abscisals. Pittsburgh's agricultural chemical sales organization has met been active in connection with the sales activities of Fly Charmer, which is actually handled through a separate New York erganization. Mr. Tomasek has, however, been connected with the initial schitties of this department, and it is Pittsburgh's desire that an avreagement be made whereby Mr. Tomasek could continue to consult with listaburgh from time to time on Pittsburgh's Charmer Departments While it would be possible for Mr. Tomasek to be of great help to Fittaburgh during such brief periods of consultation, the complete less of his experience in this field would be very detrimental to this setivity of Pittsburgh's.

Chemagro's Yame:

The need for changing Chamagro's name was discussed and it was agreed that some other name which would better identify the parent somenies would be advisable. Since the name Pittsburgh has become well

established in the agricultural chemical trade and since "Bayer" is greatly respected for its chemical developments, a name such as "Pittsburgh-Bayer Agricultural Chemical Company" was suggested for further consideration.

Geary Stockholders:

It was agreed that the Geary stockholders should be approached regarding the sale of their stock, and it was planned that Dr. Lochr would see Mr. Hill before leaving New York and would see Mr. The in Germany.

Future Discussions:

It was agreed that Messrs. Tomasek and Hillman would plan to meet with Dr. Loehr and his associates in Leverkusen during the latter part of June, before which time Mr. Wilmes will have had a shanse to tour the United States with Mr. Tomasek.

The meeting in Germany has been tentatively set for the week of June 27. Every effort will be made to complete discussions at that time so that the reorganised company could start its operations on November 1, 1955.

W 174954

HLH: jew

TO:

FROM:

R. R. Lucas

SUBJECT:

Proposed *Hey" Chamagro Corporation

We have gone ever in Bone detail Tomasek's work sheets in regard to a proposed marger of the sales meetion of the present PC&C Agricultural Chemicals Division into present Chemagro. Here and after we shall refer to Chemagro as presently operating as "Old" Chemagro and the Company formed by the marger as "New" Chemagro.

Attached hereto are the following statements:

Old and New Chemagno Pacome Statements, 1953-1956 Table I

erry the account of the telephone will

Old Chemagro Forecast Balance Sheet, as Mill.
November 1, 1955
h. : Increase

Table II

Old Chemagro Forecast Inventory, as of

November 1, 1955: 12: ,000 for "Messarch, Residue, Forecast Balance Sheets, as are the second, Rockette, R

November 1, 1955, Nersh 1, 1956 & Oct. 1, 1956 Table III

Supporting Computations to Items in New Changes

Rable IIIa

Balance Sheets

Cold Changes and Raw Change Sheet of Parci

In the projected income statements we have used the data supplied by George W. Hill, Jr. for did Chemagno for 1955 and by Temasek for New Chemagno for 1956. In the met profit computation for 1956 me allowance has been made for interest on working espital, for Idle Plant expense, and for research and development on new products and on residue, formulation, etc. In the projected balance sheets we have used the Net Income from such projected income statements and developed the other balance sheet items on the basis of the factors, such as sales volume, in such income statements. For example in Table IIIa appears the computation of month-end inventories and accounts receivables for the fiscal year 1956. In the balance sheets no provision has been made for new plant improvements or additions.

As will be noted, based upon all these assumptions, Her Chemagro will have a net worth at the end of fiscal 1956 of \$800,000, with as daht, and with cash balancing accrued Federal and State increase in bisiness during the anticipated increase in bisiness during the anticipated increase in bisiness during the tag addition of the Specific Communication Chemicals President outsiness.

1. Income Statements (Table 1) selected as the time of largest working the Theorem Statements (Table 1) - New Chemagne in 1955. Table IIIa shows the

(a) Based on G. W. Hill's astimates for 1955 and H. Tomasak's for 1956.

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					TOTAL TOTAL CONTRACTOR

- (c) As of March 31, 1956 the additional capital requirements to carry peak accounts receivable plus inventories is \$2,380,000. This amount may well be below the actual amount then "invested" in receivables and inventories, because no allowance is included for safety margins over forecast sales or for maldistribution of such invantories between products and product lines. A more probable additional capital requirement might be between \$2,600,000 and \$3,000,000.
- (d) At fiscal year-end, October 31, 1956, Inventories and Receivables should have again declined to their annual minima with a resultant elimination of additional capital requirements and build up of each to approximately \$300,000 over immediate needs. Again the profits and income taxes for the period are based on the sales, cost of sales and profit before income taxes shown in Table I.
- h. Sales, Gross Profits and Profit Margins "Old" Chemagro, "New" Chemagro, and PC&C 1953-1956. (Tables IVa, b & c)
 - (a) Tables IVa, b and e show a comparison of forecast gross profits and dollar and percent margins for Old Chemagro and the Chemagro portion of New Chemagro, and the same for the Agricultural Chemicals Division of PC&C. A large forecast increase in gross margins is predicted for practically all products. The increase for PC&C is much greater than for Chemagro.

General Comments

1. The Net Profit forecasts for Old Chemagro in 1955 and New Chemagro in 1955 are quite favorable and in sharp contrast to the actual substantial loss in 1951, and modest actual gross profit in 1953.

Year	Net Sales	Net Profit or (Loss) Before Income Taxes	Percent.	
1953	\$2,109,300	\$139,800	6-2/3%	
1954	1,494,300	(182,900)	(12-1/3)	
1955 5 mos. actual) 7 mos. forecast)	2,789,000	hir8°000	16	
1956 Chemagro portion	2,118,000	651,600	27	
PC&C portion	5,517,500	EF. 375,500	6-3/1:	
Additional expense		(101,900)		
•	\$7,965,900	\$ 925 ,5 00	11-2/3%	

- 2. The principal causes of this large favorable change in profitability are as follows:
 - (a) As shown in Tables IVa, b and c, the gross profit margins in practically all product lines are forecast to increase and certain unprofitable lines (notably Metacide) are scheduled for discontinuance. In most cases this improvement in profitability reflects a holding of existing prices or a

W 05159

moderate (up to 10%) price reduction but a substantial reduction in production costs. The decrease in production cost forecast for 2,4-D and Weed Killers, based upon 1956 volume, is approximately \$85,000. This reduction is expected to result from morsal improvement in operating efficiency. The cost of DDT Tech. is forecast to decline to 264 at present to 214 in 1956. Following exploration of the present royalty agreement, other forms of DDT will decline the present royalty agreement, other forms of DDT will decline proportionately. As mentioned in 3 below, a much more significant cost reduction is forecast for System and Dipterex.

- (b) Whereas in 1953, 195h and 1955 Field Testing and Research and
 Development expenses total \$123,000, \$151,000 and \$13h,000 respectively,
 the 1956 computation disregards any such expenses. Whereas in 1953,
 195h and 1955 Interest Expense totals \$20,500, \$30,320 and \$11,000
 respectively, in 1956 no interest expense has been included. Likewise,
 Idle Plant Expense, which totalled \$2h,600 in 1953 and \$h2,300 in 195h,
 has been eliminated in 1955 and 1956.
- 3. Significant changes are forecast in the cost, price and hence profitability of two principal products: Systom and Dipterex-199. These changes may be summarised as follows:
 - Systom Chemagro's present cost of slightly less than \$7.00 per gal.

 will be reduced to \$1.85 through change in one ingredient.

 Chemagro's price will be reduced from \$17.10 to \$13.00. This

 will sorrespondingly reduce PCLC's cost. Also PCLC's price

 is forecast to decline from about \$23.15 at present to \$18.50.
- Dipterex-199 Chemagro's present average packaged cost of about 26¢ per lb.

 will decline to 25½ through improved efficiency. Chemagro's

 average price is forecast to decline from 40¢ to 35½. PC&C's

 average price is forecast to decline from 40¢ to 35½.

 cost will similarly decline and its average price decline from

 55-60¢ at present to 54½.
 - i. Obviously, smong the most important factors to be considered in determining the relative worth of the two parties to the marger are:
 - (a) The value of the present Chamagro plant and the amount of more investment required for additional and replacement equipment;
 - Object (b) The amount to be spent by New Chemagro on research and development and the basis for its allocation between Old Chemagro and PC&C;
 - You (e) The anticipated volume of business and expected market prices to communes; and most importantly,
 - (d) The transfer values of system, dipterex and parathien between the charge and PC&C.

27- .-b

Changes in such transfer values can radically change the apparent profitability of the two parties.

(1) 190

Chemagro Corporation - Income Statements 1953-1.53

Actual 1953-1954 Projected 1955 Projected 1955 Recorporating PCIC Agricultural Themicals Civilian Placed Tears - November through Schoter (31,000)

					بادر ۱۱	נניט						F-44mata	
			1954 Act		_	1	955 Actual L	: Istimata		1:55 Estimate			
	1753 Actual	lov er.	AprJune	July-Cet.	Year	lovl'ar.	AprJune	July+1es. 	Taar Tat.	llesagr:	?## 	:lerrer	Compiled
Sales Notacide System Parathion Dipterent and I-13/59 All others Gross Sales Lass freight out Not Sales	23.3 1,499.4 511.4 59.7 2,109.3	2 (1.2) 12.3 3dk.7	: ' 35.3 231.5 进3.6	3.6 245.1 150.6 10.7 10.0	36.2 489.5 955.9 10.7 1,494.3	11.6 193.3 605.1 11.2 2 655.2	26 504 136 201 1,157	13 522 177 177 <u>36</u> 752	1,223 1,233 245 2,735 2,735	2,155.0 2,155.0 2,155.0 2,155.0 2,113.0	279.1 422. 435. 4,474. 5,570. 113. 5,527.	<u> </u>	31,252.1 1,527.0 352.0 6,632.0 3,125.1 179.3 7,365.3
Cost of Sales listicide System Parathion Diptorem and L-13/59 All others Total Cost of Sales	35,9 721,1 159,3 52.7 1,312.0	347.0	5h.0 113.6 113.9	.6 113.L 158.6 	55.5 233.5 521.1 1,223.1	5 58.1 1 653.7 27.2 1 6.0	56 226 385 130 797	23 25c 15c 15c 13 513	171 574 157 14 1,510	363.3 310.0 255.0 1,120.3	176. 321. 311. 2,535. 4,450.	3 3 <u>6</u> 7	559.9 1,133.3 596.0 <u>2,535.6</u> 5,379.5 45.0
R & D - Asst. to Operations Profit on Sales	797.3	•	123.4	124.7	270.	9 260.5	370	31:14	979	10.0 979.3			2,01.5
Sales Expense Royalties Commissions Samples Warehouse Salaries Travel and entertainment Office expense and miscellaneous Advertising Total Sales Expense	102.6 63.1 10. 5. 6.	1 .2 8 3.8 9 .8 5 4.2 1.2 8 8.6	34.7 2.1 4.5 1.5 19.5 5.0 9.3	7.1	26. 11. 3. 13. 10.	0 9.7 0 2.6 k 1.3 5 26.8 0 6.4	} 46	-1.5 } 61:	1±0 } 15h } }	154.3 hh.5 78.1 25.0 20.0 30.7	20 110 223 109 159 159	.0 .6 \$ 64.1 .0 .5 9.1	13:.0 199.5 100.0
Cther Emense Interest Legel and professional Hiscollaneous Idle Plant expense Total Cther Emense	20. 2. 1. 2h 2h	.6 1.4 .9 5.6 .6	9.9 .1 7.5 <u>12.3</u> 59.8	3. 5.	6 5 3 19 <u>L2</u>	1. 1.	3 11	} 11:) 38				
PCLC and Geary "Profits Field Test & Residue & PCLC R & D FCLC Research & Development Field Tests (Universities) Total	122 122	.0 25.0 .7 11.9	<u>27.</u> 49.	<u>1</u> 33 3 61 20	. <u>l.</u> 79 .9 15 .0 20	5.4 35. 5.7 21. 57. 0.0 51.	3 42	22 16 38	75 62 137 52		· · · · · · · · · · · · · · · · · · ·	5. }	W 95191.
Dipense (-) or Incurs (4)	<u>-</u>	100	·			1	4 212	121	id	- 		is a com	a) man d

"Old" Chemagro Corporation "Torecast Balance Sheet "November 1, 1955

(\$1,000's)

Assets	•	3	/31/55	Formesta	ent Charge Credit	
Gash	•••		ين بادليا	\$103.6		-्रक्षाहरू
`Accounts Receivable:		1.7.	37732	. 6.25		50,0
Other	•		E-1.	0,700	-	2 ·· , 2 (
Inventories: -Finished Goods -Rew Materials			628.1	ii	138.1	10,0
Fixed Assets Depreciation		3.14 ⁷	2.2,000 2.2,000		.14	2.5
Prepaid Insurance		7.17	1,0	1.5		2.5
Total Assets	• •	\$1 ,	064.7			1, € \$700.0 ;
* Includes \$160 of Dea	d (or dor	ment) in	rentory and	\$330 ac	ective inv	nitory.
Accounts Payable (Trad			5,077 2.9 ,131 4,129			100.00 \$ 23.8 () 100.00 \$ 23.8 ()
PC&C Gross 456.0 Less Rec'd. 102.1 Ceary 182.8 / 75.0	5 5		353.9) 257.8)	731.7	631,502	160,900 1ml) } (bu 180.0 in 3
Accrued Liabilities: Royalties Income Tax on Roy. w	100,5% 100,5%	.19: .13: .23: Averag	28.0 ,322 26.6	500,000 28.0 26.6	439,02	101,001 20,000 101,001 20,000
Others ligfed. & State Income	Tex Acere	ed 1.580	7.1 11.1,222	4-1	117.0	3.0 85,70011 7,6 5,50.4
n. Capital Stock Ac er Varehoun Deficit at 11/1/5h	1,500		300.0 1,842 254.2)	280	' ھرائھ	1,22: ^{300.0} 1,50 (254.2)
Profit Per 1955	£,051	ر 45.	42.63,673	1,481	2887	6,600 331.03,007
ictel Protein Lindlities	. etar,	\$1,	068.7 ^{8,077}	\$895.5	\$895.5	\$700.0
Raw Material Inventor; (E. I.)		12,150			10,00
() Denotes red figure	8	••	8640,233			\$500,000

TABLE IIa

"Old" Chamagro Corporation Forecast Inventory November 1, 1955

	March	31, 1955	Inventor	y Apr	Oct. 1955		
Material	_	Unit	Tota		st Quantit	NOVE	ber 1, 1955
Metacide 50:	Quanti	ty _Cost.	s Value		or damper	Y rareca	st Inventor-
Neville Island					Receipt	s Quanti	y Value
MeATITE ISTAND	54	13.26	5 \$ 66	ξ 2 .			
McKee Warehouse	5,77	6 14.09)		-0-	-
Chickasha	1,64			ر. ال		1,471	20,000
Total	7,47					0-	÷0-
	1 9412		100,59	0 6,00	00 -0.	1,471	
	•	TAGLER	. .	•	•	79417	20,000*
ystox 2/:		•					
Neville Island	6	7 500				(II:e4+	Value \$8.00)
McKee Warehouse	24,571	,,,,,,		45		-0-	
Los Angeles	1,662			1		12,000	-0- 06 000
Walla Walla		7.998	13,29			1,000	96,000
uouston	702	8.577	6,021	<u>.</u>			8,000
klami -	252	8,191	2,061	3		1,000	8,000
Lubbock, Texas	6,527	7.945	51,857	•		500	4,000
Jersey City	5°1181°	7-922	19,679			2,000	16,000
Memphis	228	7.978	1,819			1,000	8,000
Fresno	90 0	8.083	7,275			5 00	4,000
	2,430	7.913	19,227		•	1,000	8,000
Total	39,762	7.70				1,000	8,000
	57,100	Average	306,025	59,000	238 بلط	20,000	160,000
		~. er e8 a			• -		200,000
rathion:		•					
Neville Island	5,650	. 8 88.					
ickee Warehouse	36,350		5,017			-0-	•
lakland & Los Angeles	-0 -	.8 58	31,180			100,000	-0- 90 000
ubbock	_		_	•		40,000	90,000
Total	2,500	1.656	4,139				36,000
	14,500	.90	40,336	499,000	621 500	20,000	18,000
		Average	4.1330	47,000	634,500	160,000	000 بابالـ
terex:		-					•
eville Island			•			1	
ckee Warehouse	118,332	.199	23,562			(mit	Value 26¢)
	<u>ل</u> ى 64،0	181	7,827			-0-	-0-
Total	160,972	.195		£00.000		100,000	26,000
		Average	31,389	500,000	439,000	100,000	26,000
•	•			•			20,000
iton:			·	•	•	EFEB 11	5193
ville Island	91,259	1.580	11.1. 200			E. E	0130
vx 80:		2000	址,222	5,559	-0-	85,700	135,500*
							4 33 5 300+
* Warehouse	1,500	1.228	1,842	980	_		
TI W-C-1	- "		-, -	280	-0-	1,220	1,500*
71 Hi-Solvent:	_						* -
iee Warehouse	8,081	-455	3,673	1,481	_		
74 -4-3	-		2,412	TOTT	-0-	6,600	3,000*
- Finished Goods Inver	at ary	•	628,077				= •
	· ·	•	االاونج			\$2	.90,000
laterial Inventor (Y	7 1					▼	,

"New" Chemagro Corporation Forecast Balance Sheets

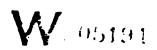
(\$1,000's)

	Nov	ember 1, 1	955	March 11,1950	October 31,1956
—	"Old"	PC&C Addition	"New" Chemagro	Est. Charges Balance	Est. Charges Balance
tr sh ceivables	11.5.0 50.0	\$ 100.0	\$ 21.5.0 50.0	\$ 215.0 1,150.0 1,200.0	\$ 360.0 \$ 605.0 (1,100.0) 100.0
ventories: in.Goods-Active in.Goods-"Dead"	330.0 160.0	100.0	430.0 160.0	570.0 1,000.0 160.0	(600.0) 400.0 160.0
aw Materials	10.0	100,0	110.0	280.0 39.0	(290.0) 100.0
med Assets	3.4 (.9)		(•9)	(.2) (1.1)	(.2) (1.3)
epaid Ins.	2.5		2,5	.2 2.7	.2 2.9
Total \$	700.0	\$ 300.0	\$1,000.0	\$2,100.0 \$3,000.0	\$1,630.0) \$1,370.0
ilities counts Payable \$	23.2	\$	\$ 23.2	\$ \$ 23.2	
ed Liab.: 2 State Taxes ther	117.0		117.0 3.0	*55(70.0) *56 90.0** 137.0 3.0	*55 (47.0) *56 430.0 *** 520.0 (3.0)
111. Capital*	180.0	300.0	480.0	1,900.0 2,380.0	(2,380.0)
nital & Surplus: mmon Stock urplus	300.0 76.8		300. 0 76.8	300.0 80.0== 156.8	300.0 368.2*** 525.0
Total \$	700.0	\$ 300.0	\$1,000.0	\$2,000.0 \$3,000.0	\$1,630.0) \$1,370.0

Increases and decreases in working capital are included in one amount entitled Additional Capital.

Sales (NovHar.)	\$2,655
Cost of Sales (75%) Oross	1,985 670
Sales Expense(5 x 100)	500
Profit before Tax	170
Less Income Tax	90
Net Profit	\$ 80
Sales (AprOct.)	\$5,310
flost of Sales	3,940
ross	1,370
Lales Expense, etc.	570
Profit before Tax	800
Less Income Tax	1.30
Met Profit	\$ 370

() Denotes red figures



		•	•	Che	magro Sa	les Estimate	•	PC&C	"New"
			(Month)	y allocathion	Systox	Bed on 1955 Dipterex	Total	Estimate	Chemagro Total Sales
Year	and Month			50	\$110	1 -	\$ 160	\$ կ0	\$ 200
1955	November		•	70	15	•	85	60	145
	December		•	100	-	· 🙀	100	190	290
1956	January		_	135	15	•	150	550	700
- •	February		•	200	1 5	55	270	1,050	1,320
	March			215	3 0	50	295	1,150	1,14,5
	April			120	170	180	470	880	1,350
	May			55	210	70	335	860	1,195
	June			35	280	•	315	520	835
	July			íó	115	-	125	220	345
	August		•	90	15	•	105	130	235
	September	•		15	-	-	45	40	85
	October		\$1	,125	\$975	\$355	\$2,455	\$5,690	\$8,145.1 179.3
Less	freight								\$7,965.8
Net S	tales								

"New"Chamagro Cerporation

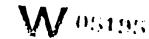
1956 Sales vs. Accounts Receivable vs. Purchases vs. Inventory

(\$1,000's)

Year and Month	Est. Sales (1)	Est. Month-end Accts.Rec.	Cost of Sales*	Purchase Max (4)	$\frac{\text{Difference}}{(4-3)}$	Purchases and Production (6)	Month-end Inventories (7)	Total Inv. # Accts. Rec. (2 # 7) (8) \$ 480
1955 October November December 1956 January February March April Hay June July August September October	200 1145 290 700 1,320 1,145 1,350 1,195 835 315 235 85	\$50 50 150 250 600 1,200 1,400 1,400 1,250 900 700 300 100	11,0 100 200 1,90 930 1,000 950 81,0 585 21,0 165 60	700 700 700 700 700 700 700 700 700 700	\$ 560 600 500 210 (230) (300) (250) (140) 115 460 535 640	270 450 700 700 700 700 700 700 535 190 115 10	\$ 1,30 560 910 1,110 1,620 1,390 1,090 840 700 650 600 550 500 (\$70 Inc.)	610 1,060 1,660 2,220 2,590 2,390 2,240 1,950 1,550 1,550 1,500 600

^{*} Cost of sales assumed to be 70% of sales (i.e. Col.3 = 70% of Col.1)

^() Danotes red figures



"Old" Chemagro Corporation Sales & Gross Profit 1953-1956 (\$1,000's)

·				Pisc	al Ye	ur .		
	•	1953	1	1954		1955 mal &		1956
Sales	Ā	ctual	A	tual		recest	Fo	recast
Metacide		28.8	\$	38.2	\$	51.0	\$	•
System	1	199-1		489.5	1,	,220.0		975.0
Parathion	•	521.4		955.9	1,	,238.0	1	,125.C
Dipterex and L-13/59		•		•.		245.0		355.0
Miscellaneous	-	59.7		10.7	-	30.0		-
Total	\$2,	109.3	\$1,	494.3	\$ 2,	784.0	\$2,	455.0
Gross Profit or (Loss)								
Metacide		(7.1)		(17.3)		(50.0)		•
System		775.3		256.0	•	660.0		611.2
Parathion	. •	22.1		34.2		251.0		315.0
Dipterex and L-13/59	•	-		-		88.0	•	100.6
Miscellaneous	_	7.0		(2.0)	-	16.0	-	(10.0)
Total	\$	797.3	.\$ 2	270.9	\$	966.0	\$1,	016.2
Gross Profit - \$ of Sales	<u>.</u> .							
Metacide		(24.7%)	. ((45.3%)	((98.0%)		-
System	• •	51.7		53.5	•	54.1		62.82
Parathion		4.2		3.6		20.5		28.0
Dipterex and L-13/59	•	•	•	•		35.8		29.8
Miscellansous		11.7	. (18.7)		53.4	٠.	-
Weighted Average		37.8%		18.15		34.7%		11.1%

^() Denotes red figures

PCLC Agricultural Chemical Division Sales & Gross Profit 1954-1956 (\$1,000's) TOP CHEWA

	(\$1	* COO. 81	
•		(Excludes Tly Charles)	
			race: Tear -1956
	Year 1954	Fotnal	Portit
	Astual	Green Profit	·
ant Class	ales Gross Froi!		£ 279 \$.83 30%
27-22-2	132 \$ 34 26%	, 8 , 50 0 ,	: h22 ;9h 22
3	193 5 1	134 15 11	
thies c	FE2	87 23 26	151 31
- -	20 10 50		5
erex 199	48 22 32	15 5 33	361 li6 13
eide 50 _{ct.} -	•	$A = A \cup $	367 110 113
• -	L88 (35) (7)		1.50h 27h 18
,T.	610 56 9	Pints 722 Col. 52	601 128 21
- D	<u> </u>		621 120 21
er Wood Killers	626 113 17	279 66 211	883 158 18
	216 396		<u> </u>
- Weed Killers	893 1110 10		89 77 12
	127 5 :	50 5 10	52 9 17
ephere.	66 6 1		03
eldrin Dust		0.0	52 12 23
2626.	2li (5li)(2 29 (31)(1	Z.U) · ·	
drin 20%		(1) (1)	₁) 57 9 16
	ko (9)(1	(2)	43 19 II
(James)		2 5	,
ero to Tol 6	4		2 18 3 17
	<u>el.</u> 3	12	•
odim TCA-90		4 2 2 3 1	1 27 3 11
Pantachl grophs and	111ert 29 4	102	
SWITH LAWS			5% 134 7 18 13
	•	100	
Proposi li Total	265 (185)	(66) 43 6	
Other Preducts	265 (165)	an mr 4 177	% \$5,690 \$1,097 19%
	\$4,354 \$ 200	Angel St. 935	1h3
Gross Total	scal accomitural	Division of the	
Lass Install	10th) Charlero Corp	Division transferred to corstion.	
AII.I Aires branch	1,8		9% \$5,547 \$1,062 199
*djustments		65 \$1,889 \$ 168	9% \$5,541 42,000
Set Total	\$1,,21,8 \$ 21,8	, 	
() 5-10/203	to: Stime:		NA / 05197
` '			

Projected P&L

	Pittsburgh	Chemagro	Difference due merger	Combined Total
Net Sales	5,547,858	2,418,000	•.	7,965,853
Cost of Sales	4,450,652	1,428,750	*	5,878,402
Profit on Sales	1,097,206	989,250		2,036,488
MD Assist to operations	85,000	10,000		45,000
perating Profit	1,062,206	979,250	•	2,041,456
Derating 110/11			.,	
Selling Expense:	000 640	770 AOO	64,400	360,440
Salaries .	223,640	78,400	04,404	64,531
Commissions	20,000	44,531	**	10,000
Print. Stationery Post.	7,000	8,000	1 000	
Telephone & Telegraph	31,000	8,000	1,000	35,000
Travel	109,000	25,000		184,000
Dues and Subscriptions	8,000	1,000		9,000
Advertising	52,000	20,000	28,000	100,000
Rent	16,524	5,445	23,523	45,432
Convention	14,000	3,000		17,000
Royalties	23,000	164,333		192,333
Warehouse	110,000	5,000		115,000
Sales Service	18,000	5,000	•	23,000
	1,000	·		1,000
Collection Recorrect Tech. Serv. to s	males 20,000	7,000		27,000
Meder Owder Dest	13,000	,,,,,,	•	13,000
Sales Order Dept.	11,000		(6,000)	5.000
Traffic Dept.			(9,000)	• • •
New York Office	9,000	3,000	(5,000)	14,000
Miscellaneous	11,000	3,000		
Total Selling Expense	702,164	367,709	101,923	1,171,796
	360,042	611,541		869,660
Other Expenses: Research, Residue, Formula etc.		611,541 37,000	Squade 2"	869,660 47,000
Intereston borrowed or working capital	125,000	31,000		156,000
Total Other Expenses	135,000	68,000		200,000
	225,042	543,541) R (660, 660
Tther Income: C +: Commissions & Royalties	25,781	75,000	3 6	100,102
V		#E 000	٠٠ نملتا -	100,751
Total Other Income	25,781	75,000		2009102
Profit before New Prod. Re	s. 250,823	618,541	(101,923)	767,441



Dispersement of Personnel & Function (Not including Research)

New York

G. K. Hill, Jr. President

H. F. Tomase., V.P.

R. von Rumber, Director of Research

W. S. James Sales Manager
B. T. Snipes Asst. Sales Manager

Y. T. Kclaughlin Spec. Accounts

Treas-Controller - Credit & Office Manager

Steno. G.W.H.

H.F.T.

W.S.J.

Snipes-McLaughlin

Treas.

Order Typist

Sales Order Clerk

Inventory

Pavables

Receivables

File Cleri:

Receptionist & Steno.

Traffic

J.D.Mochi - Sales

Chicago

District Manager A. H. Carnes

K. M. Holada; Sales

Sue Anderson Steno

Order Clerk (?)

Pittsburgh

R. C. Scott Prod. Manager

Sales C. H. Elmer

Steno

St. Louis

ين ك District Manager A. J. Franz

4. 4

C: -

S. F. Stewart R. C. Creasy Sales

Sales

Steno

Steno - Order Clerk (?)

Minneapolis

J. S. Skaptason

Steno

Atlanta

A. L. Wigger Steno

Los Angeles

R. W. McCalley

Steno

Seattle |

Hitchcock - Dist. Mgr.

Hanlon - Sales

Steno

San Franciso

T. G. Lewton - Dist. Kgr.

Irwin Elliot

Margot Wilson

Dallas

H. H. Swink - Field Sales Mgr.

C. Adams

K. Holden

Sales Sales

2.

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Mary Lile

Office Rental Costs

New York

1 office 12'x18'	216
4 office 12'x15'	720
3 office 12'x12'	432
Steno Area 15x50	750
Clerical Area 80x35	1050
Reception Area12x15	180
Storage Area 15x24	360

3708 plus 492 sq. ft. for halls, closets, etc.

4200 square feet @ \$7.00 per square foot \$29,400.

(Present rate	620/month)	Present PC&C	Present Chemagno
Pittsburgh Atlanta Chicage St. Louis Memphis Minneapolis Dallas Los Angeles San Francisco Seattle	200 118	7440 708 223 C 600 1300 840 680 660	5445
•	1341 <u>x12</u> 45492	16524	

CHEMAGNO SALES Projected 1956

	Cotal Gallons or Pounds	Sales Prico per gallon or pound	Total Sales	Sales Cost per gallon or pound	
Parathion, Tech.	900,000	1.25	1,125,000	. 90	810,00
Systox	75,000	13.00	975,000	4.85	262,75
Dipterex 1# units	500,000	.40	200,000	-30	150,00
Dipteres 10 units	500 000	.31	155 000	.21	105 00
•		Gross Sales less freight	2,455,000 37,000		1,42,75
		Net Sales Cost of Sales	2,418,000 1,423,750		
	•		989,250	•	

Royalties - Commissions - Income, etc.

A_

Chemagro I	псоте
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Andread Comments	
1,000,000 Charmer #10's @.06/each 500,000 Charmer Refills @ .03/each	60,000 15,000
	\$75,000
Royalty Payments by Chemagro	
1/3 of Schedule A above of Bayer 5% to Bayer on parathion sales of 1,125,000 5% to Bayer on Systox sales of 975,000 1/3 of Dipterex Profit of \$100,000	25,000 56,250 49,750 33,333
	164,333
Commissions by Chemagro	
7 Commission to PC&C on Tech. Para. Sales of 343,750 5% Commission to Stauffer on " 375,00	25,781 0 16,750
	44.531

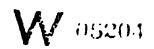
Estimate of Chemagro Sales Expense Exclusive of Salaries & Commissions, Rent

Printing, etc.	3,000
Telephone & telegraph	8,000
Travel	25,000
Dues	1,000
Adv.	20,000
Convention	3,000
Warehouse	5,000
Sale Service	5,000
Techn Service to Sales	7,000

Cost of Salaries Exclusive of Lab. or Field Research Staff

(1) Pr H. F. Tomasel: W. S. James W. T. McLaughlin R. C. Scott M. H. Swink T. G. Lewton, Jr. A. J. Franz	Pittsburgh Personnel esent Annual 17800 15000 12000 9600 10800 10800 9900 13200	Chemagro Personnel Present Annual	Increase due to Merger Total 2000 17000 1200 13200 2400 12000 1200 12000 1200 13200 13200 13200
A. H. Carnes J. D. Mochi C. H. Elmer A. L. Wigger (or repla C. A. Paulson	6300 7200 .ce) 6600 9000		6300 7200 6600 9000
S. F. Stewart R. C. Creasy K. M. Holaday J. S. Skaptason	5700 5400 6600 8700 6600		5700 5400 6600 8700 6600
S. L. Adams C. I. Elliott R. W. McCaller Hanlon Replacement Pat sullivan	7800 6900 6000 3900	•	7800 6900 6000 3900 3600
Bertha Thomas Jayne Belo Marjorie Nelson Atlanta Secretary Memphis	3600 3900 4240 3000 3600		3900 4240 3000 3600
St. Louis " Susan Anderson Mary Jane Carson Mary Lisle	3300 3900 3900 3900 4500		3300 3900 3900 3900 4500
Margot Wilson G. W. Hill, Jr. B. T. Snipes R. von Rumker (est) B. Hitchcock (est)	4000	20000 15000 10000 10000	2000 22000 15000 2000 12000 1800 11400
Kenneth Holden (est) 4 present sec. Chemage Treasurer-Controller 2 additional sec. Order Typist	סי	8600 16800	10000 10000 7800 7800 3600 8600
Sales Order Clerk Inventory Clerk Payables Reveivables 2 Misc. Clerical Traffic	٠.		3608 3600 3600 3 3600 3600 6600 6600 6600 4800 4800
71 GT 1 T.C	223640	78 400	64400 366440

(1) Including anticipated increase during 1955



Er. Edward Pflueger Parbenfabriken Geyer Leverkusen-Seyerusek Germany

Bear Edward: 10 . gerrenn' graves.

Because of the very short notice of your sequest for accounting figures on the sales activities of the Agricultural Chemical Division, I felt that it would be best to send the actual figures for the first six months of this year. "Two modifications were necessary as explained below.

In the case of the herbicides, we have used a "transfer price" rather than Pittsburgh's cost since, as previously discussed, we would propose to sell these products to Chamagro at prices, to be agreed upon in detail at a later date, which would be adequately below market in keeping with our previously indicated objective.

One item which has been excluded from the attached statements is a loss of \$74,716 sustained in the liquidation of certain products which have been discontinued (primarily BDT products). This liquidation is now almost complete and would not affect in any way the proposed relationship with Changro. It was therefore felt that it would be warraclistic to include this in the attached statement.

Total sales for the year are estimated at \$6,000,000, with approximately the same margin as shown for the first six months. Sales expense, however, would be less for the balance of the year than during the first six months. It would, therefore, appear that the sales activities involved in the marger would result, as intended, in an inconsequential profit or less.

The primary objective of the marger is to give Changgo a broader and better established position in marketing. It has been hoped that the Agricultural Chanical Division's cales organisation would be self-supporting from its present activities and that the marger with Chanagro would, therefore, achieve our untual objective without being a financial burden to Chanagro. We believe that the attached figures demonstrate this without resorting to predictions of future expected improvements in sales volume and profit margins. It should be kept in mind that is is not our intent to transfer profits to Chemagro but rather to give Chemagro an experienced marketing organization which, we believe, will be at least self-sustaining and will ultimately be one of the essential factors that will enable the new Chemagro to become pre-eminent in the agricultural chemical business."

Please let me know if there is additional information that would be helpful or if the information presented is not clear, since this material has been gotten together on very short notice.

With kind personal regards,

Sincerely years,

Heary L. Hillman

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TO: H. L. Hillman

FROM: R. R. Lucas

SUBJECT: New Chemagro Corporation

In New York on Tuesday, November 29th, Mustard and I spent a very amiable morning with G. W. Hill of Chemagro Corporation going over the estimated 1956 income statement for New Chemagro.

On this statement the quantities and dollars of sales are based upon the Ag. Chem. Division's "1956 Sales Forecast as of November 1, 1955" and upon Hill's "Estimated Profit and Loss Statement-Fiscal 1956" dated May 3, 1955, with elimination of duplications in the cases of Parathion, Systox and Dipterex.

In developing Cost of Sales, it was assumed that the materials sold came first from field inventories, then from McKee Industrial Warehouse, McKee Warehouse, Neville Island Plant and, finally, new procurement. The book inventory values were used for Cost of Sales until exhaustion of such inventories, then an estimate supplied by R. C. Scott was used for new procurement. The administrative and sales expenses were developed by new procurement. The administrative and sales expenses were developed by me, based upon information supplied by Hill and Tomasek. The Research Expense and Other Expense were derived essentially from Hill's letter of November 17, 1955.

Hill reviewed the Sales and Cost of Sales of Systox (by far the largest item profit-wise) and agreed with the computation. He also reviewed the administrative and sales expenses, pointed out two or three viewed the administrative and sales expenses, pointed out two or three viewed the administrative and sales expenses, pointed out two or three viewes minor errors of over-estimate, and called attention to three items, namely; warehouse expense (\$108,400), advertising (\$50,000), and travel and enterwarehouse expense (\$108,400), which he believed could be reduced substantially. He tainment (118,000), which he believed could be reduced substantially. He and Mustard agreed that interest expense shown as \$25,000 should be increased to \$45,000.

In short, Hill felt that the estimated net income (before income taxes) of \$750,000 was realistic and attainable. He also noted that this amount was approximately the same as his estimate for old Chemagro alone.

In the afternoon, Moore and Tomasek joined the group to resolve the matter of guaranty of gross profit on liquidation of present inventory. While Hill at first insisted upon an assured margin of 74% (between transfer costs of inventory from PC&C and sales price) on each brush and weed killer separately, he finally agreed to the following compromise:

On inventory initially transferred from PC&C to New Chemagro (including all field inventory and possibly some materials at McKee and Neville), the transfer price is to be PC&C's book cost in all cases except that, if the market price of any individual product is less than 7½% above PC&C's book cost, then the transfer price is to be such market price less 7½% thereof.

 $W^{0.1764}$

On all inventory transfers occurring subsequently up until October 1, 1956, the same manner of determining transfer price will be used.

Any inventory of the products involved, remaining in PC&C's stocks on October 1, 1956, will be transferred to New Chemagro on that date. Such materials, plus all inventories then owned by New Chemagro which had originally been a part of PC&C's October 1, 1955 inventory, will be reappraised in relation to the then existing price schedules; and any individual product on which the book value exceeds 92½% of such current price will be reduced to such 92½%, and the difference charged against PC&C.

Also, as of October 1, 1956, the gross profit on the following five weed killers - EWK 44, EWK 40, Ester Air Spray, EWK D-4 and AWK 40 - as one class, and the following brush killers - 10-20 BK, 20-20 BK, Lo Vol 4 and Lo Vol 6 - as another class, will be computed. If either gross profit is less than 7½% of the sales prices obtained over the period, then the difference between such computed gross profit and 7½% of such sales price will be charged against PC&C and credited to New Chemagro.

Hill agreed to see Pflueger of Bayer, probably on Thursday, December 1st, to discuss this matter and to make a joint proposal to you as soon thereafter as possible. I believe all present expect the proposal to be more-or-less as outlined above.

Jr. K.L.

R. R. Lucas

mb

cc: W. K. Menke

R. M. Moore

H. R. Mustard

AGREEMENT

MADE as of the 1st day of November 1955, by and between FARBENFABRIKEN BAYER AKTIENGESELLSCHAFT, Leverkusen, a corporation organized under the laws of the Federal Republic of Germany, hereinafter called "Bayer"; CHEMAGRO CORPORATION, a New York corporation; GEARY CHEMICAL CORP., a New York corporation, hereinafter called "Geary"; and PITTSBURGH COKE & CHEMICAL COMPANY, a Pennsylvania corporation, hereinafter called "Pittsburgh",

WITNESSETH:

WHEREAS, pursuant to a series of agreements, being principally the agreements of June 9, 1949 between Bayer and Geary (including supplements thereto such as the letter of June 7, 1950 between Bayer and Geary), of December 15, 1949 between Geary and Pittsburgh, of May 5, 1950 between Chemagro Corporation, Geary and Pittsburgh, and of November 1, 1953 between Bayer, Chemagro Corporation, Geary and Pittsburgh, the parties have arrived at a status of Bayer, Geary and Pittsburgh each owning one-third (1/3) of the one thousand fifty (1,050) authorized outstanding shares of stock of Chemagro Corporation and of the consent of each being required for any action by the Board of Directors of Chemagro Corporation or for any amendment to the charter or by-laws of Chemagro Corporation; and

WHEREAS, Chemagro Corporation, so far lacking any manufacturing, formulating and development facilities of its own and also a sales organization capable of adequately covering the

United States of America, its possessions and territories, and Canada, is, despite many valuable Agricultural Chemicals offered to it for exploitation by Geary and received by Geary from Bayer under its agreement with Bayer dated June 9, 1949, in a weak competitive position, and

whereas, the parties desire that Chemagro Corporation and Geary be consolidated into a single corporation (hereinafter called "Chemagro") and in order to further intensify competition in this field it is Bayer and Pittsburgh's intent to pursue their agricultural chemical activity in the United States, its possessions and territories, and Canada, through the medium of Chemagro and to assist Chemagro in achieving and maintaining a better position in the agricultural chemical field; and

WHEREAS, for the purpose of achieving such goal:
Bayer, Geary and Pittsburgh are willing to grant
Chemagro, to the best of their abilities, technical assistance
and to make qualified personnel, now in their employ, available
to it in order to enable Chemagro to create its own Manufacturing,
Formulating, research and development facilities in the Agricultural Chemicals field:

Bayer and Pittsburgh are willing, if either desires to derive a profit from any Agricultural Chemical for which it shall have Technical Information, in the United States, its possessions and territories, and Canada, to offer such Agricultural Chemical to Chemagro for sale, formulation and manufacture in the said countries;

Pittsburgh is further willing to transfer to Chemagro on a fair and equitable basis the sales organization, good will and physical inventories of its Pittsburgh Agricultural

Chemical Company Division, excluding therefrom Pittsburgh's Charmer activities (any acquisition of which has been specifically considered and rejected by Chemagro); and

WHEREAS, Geary desires to retain its financial interest in Chemagro but is unable to make funds available to Chemagro to the same extent as Pittsburgh and Bayer in meeting the estimated future capital requirements of Chemagro,

NOW, THEREFORE, in consideration of the premises and of the mutual promises of the parties herein contained, it is agreed as follows:

SECTION I - DEFINITIONS

As used in this Agreement, the following terms shall have the following meanings:

- of existing or potential commercial value with regard to agricultural and forest crops (including, but not limited to, fruit, nut, field, truck, vegetable, forage and horticultural crops) or for the control of rodents or of organisms affecting humans and animals, but specifically excluding therefrom fertilizers, veterinary medicine and pharmaceutical products, and products for the preservation of textiles and wood.
- 1.02 "Formulating" shall mean any processing of a physical nature of an Agricultural Chemical for the purpose of making thereof a ready-for-use material, which material for purposes of this Agreement is to be called the "Formulation".
- 1.03 "Manufacture" shall mean the chemical synthesis of an Agricultural Chemical.
 - 1.04 "Technical Information" shall mean

- (a) with regard to the use of Agricultural Chamicals and their Formulations:
 - (i) rescarch reports relating thereto;
 - (id) instructions for use thereof;
 - (int) infernation on the composition

thereof;

- (iv) | information on the chemical struc-
 - (v) information on the Formulating;
- (vi) information on equipment suitable for the application thereof;
- (vii) analytical methods and procedures for the determination of the active ingredient or ingredients thereof:
- (viii) toxicological data relating to the use and the active ingredient or ingredients thereof;
- (ix) patents and patent applications, covering the use thereof, filled by the licensor in the country for which a license to use its being granted in accordance with this Agraement;
- (x) any other information necessary or maddal for the practical use thereof;
- (b) with regard to the Hanufacture and Formulicing on Agricultural Chemicals and the intermediates required Whavefore
- (i) flow sheets showing the process and the Lede of operation;
- (43) data necessary to evaluate the seconomics of the process;
- (iii) lists of all machinery and equipment required for carrying out the process;

- (if) drawings to be used as a basis
- (7) directings of rachinery and equipment required for purchase of or countracturing such machinery and equip-
- (vi) somistion drawings for making such the lineary via equipment if and incofar as in the linears's applicable drawings assisted and the (v) will not enable a machine factory in the United States to build the required machinery and equipment:
- (vii) information on the metallurgical properties of the construction materials;
- (viii) detailed operating instructions and all data required for starting production, including the analytical methods for examining the starting materials, the intermediates and the final products:
- (ix) patents and patent applications, nevering the neonfacture of one Agricultural Chemical or of the intermediates showefor or the Formelating of the Agricultural Chemical as the case may be diled by the licensor in the neutry for which the license to nervincture and/or formulate and been granted in accordance with this Agreement;
- (m) any other information necessary or useful for the canefacture of the Agricultural Chemical and the informediates therefor, or the Fermulating of the Agricultural Chemicals as the case may be and for the selection, continuation or substitution of the process best suited for meeting competition.

to and as improve a principle of the finding bonding shall mean and as improve a principle of the properties and passessions and terristical actions are seen as a seed as a seed and terristic actions and the seed as a seed as

1.06 "Continental United States" shall mean that part of the United States of America within her boundaries on the date of this Agreement which is situated on the American Continent between Canada and the United States of Mexico.

A:07 "Subsidiary" shall mean any company controlled by cities Dayer, Chemogro, Geary or Pittsburgh.

1:00 "Prior Commitments" shall mean any restrictions of any contracts are any of the parties hereto arising out of any contracts are a trick to the date of this Agreement, specifically including the following:

(a) Agreement of hay 20, 1949 between Schenley Extensions as . Inc. and Farbonfabrikan Eager. Leverkusen;

(b) Agreement (Jetter) as of Hovember 30, 199 between Schenkey Daboracowles, The , Farbenfabriken Bayer, equarkment and Canry Chambeak Corporation:

(c) Agreement as 0.2 April 25, 1955 between Fill Cattury, Colle & Chemical Company and Ethyl Corporation, 100 1005 branch for Mark 17, 1 or Mark.

SECTION II - CONSCRIDATION OF CHEMAGRO AND GEARY

- 2.01 On or before thirty (30) days from the execution of this Agreement, Chemagro Corporation and Geary shall be consolidated, with Geary as the surviving corporation, in the manner authorized by Section 86 of the New York Stock Corporation Law, the provisions, terms and conditions of such consolidation to include those hereinafter set forth in this Section II and such others as may be agreed upon by the parties hereto, subject, however, to the approval of Geary's stockholders as required by Section 86 of the New York Stock Corporation Law.
- 2.02 The name of the consolidated corporation shall be Chemagro Corporation, or such other name as the parties may agree upon,
- 2.03 The amount of the capital stock of the consolidated corporation and the number and par value of the shares of which it is to consist shall be three million dollars (\$3,000,000), consisting of fifty thousand (50,000) shares of Class A common stock having a par value of twenty dollars (\$20) per share (hereinafter called "Class A" stock) and one hundred thousand (100,000) shares of Class B common stock having a par value of twenty dollars (\$20) per share (hereinafter called "Class B" stock), the Class B stock to be voting stock and the Class A stock to be without voting rights but otherwise to be identical in rights and in all other respects with the Class B stock.
- 2.04 The three hundred fifty (350) shares of Chemagro Corporation stock now owned by Bayer shall be converted into five thousand (5,000) shares of the Class B stock of the consolidated

corporation; has three narried fifty (350) shares of Chemagno Corporation stock now camed by Pittsburgh shall be converted into five thousand (5 000) shares of the Class E stock of the consolidated corporation; and the minety-nine thousand two hundred eighty (99,280) shares of Guary coamon stock (being the total number of shares of Geary coamon stock of all classes now outstanding) _ shall be converted into five thousand (5,000) shares of the Class A stock of the consolidated corporation.

2.07 After the conversions hereinabove provided for; any offer of the consulidated corporation to issue additional shares of its stock or other securities shall be subject to precaptive rights in accordance with the now existing provisions of the New York Stock Corporation Law but without the Limitations therein provided in respect of shares or other socurities which may be issued or optioned to effect a merger or contolidation, or for a consideration other than cash, or which may be part of those originally authorized in its certificate of incorporation and isqued, sold or optioned within two years from the date of filing such certificate; provided further that all shares or securities purchased by holders of non-voting stock pursuant to the exercise of precaptive rights shall be, or be exchanged for, non-voting shares or non-voting securities.

2.06 The consolidated corporation shall not sell additional shares of its stock at a price per share which is less than the higher of (a) the book value per share outstanding prior to such sale as of the close of the month preceding such sale or (b) twenty dollars (\$20) per share.

In the event that any stockholder of the consolidated corporation desires hereafter to coll all or any portion of his stock in such corporation, he shall first offer in writing to sall such stock at a price to be determined by the offerer to the other stockledders pro rata in proportion to their then-existing respective stock interests. Each such stockholder shall have a right to accept such offer in whole or in part, and to the extent any stockholder declines or fails to accept such offer by writing delivered within ninety (90) days, the others who have accepted such offer in full shall have the right during a period of sixty (60) days to purchase similarly pro rata any of the shares so offered and refused. If at the expiration of such sixty (60) day period any offered shares are not so purchased, the offering stockholder shall, during the period of thirty (30) days thereafter, be free to sell such remaining shares to others at the same price, including all terms, as that at which the stock has been offered to and refused by the other stockholders.

(a) Provided, however, that any stockholder shall have the right to pledge its shares of stock of the consolidated corporation as security for a loan, where the terms of such pledge assure that such stockholder retains any voting rights to all pledged shares, and that if such shares are to be acquired, sold, or disposed of by the pledgee they shall be first offered for sale by the pledger or the pledgee in the manner horeinabove provided; and

(b) Provided further that any rights hereunder or any stock of the consolidated corporation may be freely sold or assigned to the parent, spouse, child, grandchild, brother, sister, gaphew or nince of an individual stockholder, or to any composition of which the individual stackholder owns a majority of the vating stock, or to say parent or subsidiary of a corperate stockholder, say rights or stock acquired by such sale or assignantial to be subset; hisever, both directly and indirectly and in all respects to the terms of this Agreement; and

shares of Class B stock to any Class A stockholder shall be subject to the condition that any shares of Class B stock purchased by a Class A stockholder shall be surrendered to the comporation immediately after purchase in exchange for an equal number of shares of Class A stock. All certificates for shares of Class A or Class B stock shall contain a notice substantially as follows:

"Sale of all or any part of the shares represented by this certificate as subject to the restrictions set forth in an agreement dated November 1, 1955, between Farbenfabriken sayor Antiengesellschaft, Chemagro Corporation, Geary Chemical Corp., and Pittsburgh Coke & Chemical Company."

2,03 (a) The charter and by-laws of the consolidated corporation shall provide that:

(i) its board of directors shall consist of five (5) directors to be elected by cumulative voting;

(ii) the number of directors who shall be present at a meeting of the directors in order to constitute a quorum for the transaction of any business shall be four (4);

(iii) the number of affirmative votes of directors which shall be necessary for the approval of any item of business at any meeting of directors shall be four (4):

(iv) no further amendment of the charter or by-laws in the foregoing respects shall be effective unless authorized by the votes, cast in person or by proxy, of the holders of record of two-thirds (2/3) of the outstanding shares of Class B stock.

(b) Paragraphs 5, 6, 7 and 8 of Article I,
Paragraph 5 of Article II of the Agreement made as of the first
day of November 1953 by and between Bayer, Chemagro Corporation,
Geary and Pittsburgh and Paragraph 4 of the Agreement of June 9,
1949 between Bayer and Geary are expressly cancelled herewith
and hereby cease to be effective.

SECTION III - EXPANSION OF CHEMAGRO'S SALES ORGANIZATION AND CREATION OR EXPANSION OF ITS RESEARCH, DEVELOPMENT, MANUFACTURE AND FORMULATING FACILITIES

3.01 During the term of this Agreement, Bayer and Pittsburgh shall pursue their Agricultural Chemical activities in the United States of America, its possessions and territories, and Canada, through the medium of Chemagro, specifically excluding therefrom Pittsburgh's Charmer activities and Bayer's Vero Beach activities relating to Agricultural Chemicals. To such end Bayer and Pittsburgh shall, to the best of their abilities, cause Chemagro to expand its sales organization and to create in the United States and, if appropriate, also in its possessions and territories, and Canada, with the shortest possible delay, adequate facilities of its own for development, and Manufacture of Agricultural Chemicals and, in due course, facilities for research on and Formulating of Agricultural Chemicals; and they shall also grant licenses of Technical Information to Chemagro and shall afford to Chemagro, on the terms set forth in a separate agreement of even date herewith, additional financial assistance.

SECTION IV - CHEMAGRO'S SALES ORGANIZATION

4,01 (a) Pittsburgh agrees to transfer to Chemagro as of November 1 1955 the sales organization (personnel and all retireme documents) good will and physical inventories of its Pittsburgh Applicable of Chamical Company Division on terms and semi-filens to be agreed upon between authorized representatives of Chemagro and Pittsburgh.

(b) Champra small make every reasonable offert to example to the Sentimental Paradal Phitad States, now practically confined to the Sentimental Phitad States, also to Canada and the possessions and terratories of the United States of America.

SECTION V - CHRIDGEO'S RESEARCH. DEVELOP-19102 AND HAMMFARMENING FACTAITIES

5.01 Bayer and Pitusburgh shall, to the best of the Probabilities, grant to Chamagre technical assistance and shall on a temporary basis, make qualified experts available in order to enable Chamagre to areate in the United States and, if appropriate, also in its postagations and territories, and Canada, where the shortest possible delay, adequate facilities of its cam for development, Manufacture and, in due course, for research on and Premulating of Agricultural Chemicals, and shall also accless Gueragro in finding means to operate directly, if practical, Pittsburgh's existing phosphate insecticide plant.

5.03 A tachnical committee shall be appointed, commisting of an equal number of representatives of Bayer and Pittsburgh, which technical committee shall study which agricultural chemicals and intermediates therefor, and the quantities

thereof, including formulated materials, should be made initially by Chemagro, which research and development facilities should be eracted; and where such new facilities of Chemagro should be located. The technical constitute shall also investigate the production sibilly of direct constitute by Chemagro of Pittsburgh's embating phosphate insecuicade plant or its transfer to and incorporation into Chemagre a new manufacturing facilities.

5.0, As soon as feasible after the technical committee has submitted its recommendations to the board of directors and the board has decided thereon, Chamagro shall commence the constantion of facilities for the Handfacture and, in due course, facilities for research on and Formulating of Agricultural Chamicais.

5.04 In the event that Chemagro shall request, and cither Boyer or Pittsburgh chall furnish, one or more employees for temporary service to Chemagro in cornection with planning, exection of plants, installation of machinery, or operations, Chemagro shall reimburse the party which furnishes said employees in an amount equal to the cost to the party furnishing such employee, including salary, traveling expenses and allowances, on such basis as shall be agreed to at the time.

SECTION VI - THOMHICAL IMPORMATION

6:01 The licenses heretofore granted by Bayer to Givey the except as to royalties, hereby amended to correspond to the equipment for licenses to be granted by Bayer and Pitts-burgh, as hereinafter in this Section VI provided.

6.02 (a) Subject to Prior Commitments, whenever
Bayer or Pittsburgh desires to derive profit from an Agricultural
Chemical for which it shall have Technical Information, in the
United States, its possessions and territories or Canada, it
shall great to Chemagro the first right of refusal (to be exerclised within a reasonable time after having received the complets offer) on

(i) a non-exclusive, royalty-free
license, with the right to sublicence thereunder, of such Technical Information for the Manufacture and Formulating of such
Agricultural Chemical and such intermediates required therefor
as are not commercially available in the United States, its possessions and territories and Canada; and

(ii) an exclusive license, with the right to sublicense thereunder, of such Technical Information for the use and sale of such Agricultural Chemical in the Agricultural Chemical field in the United States, its possessions and territories and Canada.

In each case such offer shall include the rights relating to the manufacture. Formulating, use and sale of the Agricultural Chemical, unless the offer is expressly limited to rights relating only to use and sale.

(b) Chemagro shall not divulge any Technical Information received from Bayer or Pittsburgh pursuant to this Agreement to others except for the enjoyment of the intended use as heratofore authorized or as authorized in writing by the licenson.

(c) The terms and conditions of licenses, including any royalty payments to be made thereunder by Chemagro

for exclusive licenses granted pursuant to Section 6.02(a), shall be as reasonably agreed upon in each case between the offeror and Chemagro. If Chemagro has rejected the terms of any offer, the offeror shall subject to Prior Commitments, not offer the license to another on more fivorable terms without firs, replicance to another on more fivorable terms without terms. The licenses shall also provide that, whenever Chemagro shall not, after a reasonable apportunity, have obtained a reasonable share of the market for any licensed product, the licensor shall be free to sell such product anywhere except in the continental United States.

(d) Nothing in this Agreement or in the libenses to be offered hereunder shall be construed as excluding or limiting the rights of any party hereto to sell anywhere in the world such products as are in the Pablic Domain.

- 6.03 (a) Chemegro shall supply the licensor hereunder, as the case may be, with periodic and complete reports
 covering the results of Chemagro's development pertaining to
 Tochnical Information licensed to Chemagro by such licensor.
- (b) The licensor hereunder, as the case may be, shall be granted a non-exclusive, regulty-free license, with the right to sublicense thereunder, of the Technical Information included in the reports described in the next preceding subparagraph (a)
- (i) for Manufacture, Formulating, use and sale in all countries of this world in fields other than the Agricultural Chemical field and in all countries other than the United States, its possessions and territories, and Canada, in the Agricultural Chemical Field; and

(ii) for use in all countries of the world in the development of new products and processes for Chemagra.

6.08. All Medianical Information which shall be developed independently by Chamagro, other than that pertaining to facintical Imformation licensed to Chamagro, shall be owned by Chamagro. All sales, transfers and licensing of any such Technical Enformation must be approved by the Board of Directors of Chamagro.

6 07 (a) For the duration of any exclusive license granded in accordance with Pasagraph 6,02(a)(ii), Chemagro shall be ambitied at its option to enforce all patents so licensed the foundary Chamagro shall keep the licensor advised of any patrint infrincement of which thomseyo shall have knowledge and of rul infringement summe which Chamagro shall institute. The lie maor shall furnish to theungro such information, advice, doe ment; and similar assistance in connection with any such sums as Thomagro may reason; bly request. Chemagro shall have the right to institute suit for infringement of such patents in its cum hame or in the name of the licensor. The licensor shall have the right to participate in any such infringement suit instibuted by Chemagro and shall bear any expenses incurred by it as a result of such participathon. All expenses incurred by Chemagre incidental to or in commetion with or in preparation for any such surt or contemplated suit shall be paid by Chemagro, and any recovery of damages or profits in such infringement suit shall be retained by Chemagro. If, upon written request of the licensor, Chemagro fails to sue an alleged infringer of a patent

so licensed within ninety (90) days after having received such request, then the licensor alone shall be entitled to sue such infringer at its own expense, and to collect any and all damages paid by the infringer, whether as a result of a money judgment or as a result of any settlement which the licensor deems advisable to make.

During the pendency of any suit by Chemagro for infringement of a patent so licensed, any royalties payable to the licensor in accordance with the license agreement for the use of such patent shall not be paid to the licensor by Chemagro but shall be placed in escrow pending determination of the suit by judicial or administrative authority, provided that the escrow shall terminate and the royalties therein deposited shall be paid over to the licensor if Chemagro shall fail to prosecute the suit diligently or shall negotiate a settlement agreement. In the event that the suit shall be determined adversely to Chemagro by judicial or administrative authority by reason of the invalidity of the patent, such royalties as may have become due and were placed in escrow shall be returned to Chemagro, and no further royalties shall be payable by Chemagro to the licensor for the use of such patent. In the event that such suit shall be determined favorably to Chemagro, or that such suit shall be determined adversely to Chemagro for any reason other than invalidity of the patent, the royalty payments as may have become due and been placed in escrow shall be turned over to the licensor.

(b) In the event that any patent under which Chemagro has acquired a non-exclusive license in accordance with Paragraph 6.02(a)(i) above is infringed by others, Chemagro may notify the licensor within a reasonable time and request it to institute suit against or to license such infringer in the name

of Chemagro or in the licensor's name. If the licensor does not institute suit or license such infringer within ninety (90) days after receipt of such motice, then Chemagro shall have the right to sue such infringer in the licensor's name or in the name of Chemagro and to make the licensor a party to such suit. All expenses incurred by Themagro incidental to or in connection with or in preparation for any such suit or contemplated suit shall be said by Chemagro, and in such event any payments made by the infringer, whether as a result of a money judgment or of any settlement which Chemagro deems advisable to make, shall be retained by Chemagro.

SECTION VII - TRADE-MARKS

caper and Pittsburgh shall inform Chemagno and caper to Chemagno the right of free and exclusive use in the United States, its territorics and possessions, and Canada, of their specific trade-marks and copyrights covering the product licensed or offered for license in the Agricultural Chemical Field. Chemagno shall, whenever practical, accept such offer in due time and use the trade-mark for the specific product licensed. Provided, however that anything in the foregoing to the contrary notwithstanding, the offeror of a trade-mark or copyright licensed to Chemagno shall have the right to use its respective trade-marks in connection with any offering for sale of any of its products permitted by the provisions of Paragraph 6.02 above.

SECTION VIII - DURATION OF AGREEMENT

9.01 This Agreement shall remain in full force and effect until December 31, 1967, and thereafter until terminated as hereine liter set forth; paralided, however, that if Chemagro shall toward bankhupt or be aliquidated, this Agreement shall forthwith terminate.

- 8.02 (a) Dither Payer or Pittsburgh may terminate the Agrow ent on December 31 1967, or any December 31 thereafter, by giving at least two (A) years prior written notice of such termination to the other which notice shall grant to the other an option to purchase that runter of shares of Class B stock which, when added to such other's holdings on the termination date, will equal two-thirds (2/3) of the Class B stock of Chemmary, which option shall be prereisable at the end of such two-year period upon the terms provided in baragraph 9.02(c) hereof.
- (b) Upon the permination date opecified in such notice, this Adresment half and, except that
- (a) any exclusive licenses theretofore granted pursuant hereto shall consider exclusive for a period of three (3) years from such termination date, and all licenses theretofore granted pursuant hareto shall continue after the end of such three-year period on a non-exclusive basis;
- (31) the vights of first refusal granted by Section II beartf shall combined in full force and effect; and (341) the treat the party giving

such notice of termination shall enter into competition with Chemagro in the sale of Agricultural Chemicals, such party will consent in writing to the amendment of the charter and by-laws of Chanagro to eliminate the right to cumulative voting and the restrictions on amondment of the charter and by-laws of Chanagro set forth in Section 2.03(a) hereof, and will vote its Class B stock for the election of directors nominated by the other.

the option shall be critical to purchase the shares of Class B stock pursuant to the option granted thereby shall, unless mutually agreed between Bayer and Pittsburgh, be determined by arbitration not later than ninety (90) days prior to the termination date specified in said notice of termination, and such arbitration shall take into account, in determining such price, the effect on the value of the stock of the termination of this Agreement and of the exclusive licenses granted hereunder. Written notice of intention to exercise the option shall be given at least thirty (30) days prior to said termination date.

8.03 This Agreement may be terminated in whole or in part or modified in any respect at any time hereafter upon the mutual consent in writing of the parties hereto then existing, but not otherwise.

SECTION IX - GOVERNMENT INVOLUTIONS AND FORCE HAJEURE

9.01 This Agreement shall be subject to such 198 sonable regulations as each party may make in order to comply with applicable requirements of the Covernment of the United States of America or of the Federal Republic of Germany. If any party fails to do any act which it has agreed to do here—under because of observance of any law or of any such Governmental order, regulation, ruling or request and if such failure is protracted and material, any other party may demand an equitable

adjustment of its rights and obligations hereunder to compensate for such failure and may terminate the Agreement for failure of consideration if legally entitled to do so; provided, however, that no such law, order, regulation, ruling or request may increase or extend, in any manner whatsoever, the rights of any party hereunder, or require any party to do any act which it has not agreed to do hereunder. If the parties are unable to agree on such adjustment or termination, the matter shall be submitted to arbitration pursuant to Section XII. Any termination of this Agreement for failure of consideration as hereinabove contemplated shall be deemed to be a termination by the party under Government-caused disability pursuant to subparagraphs (b) and (c) of Section 8.02.

9.02 Except as provided in Section 9.01 hereof, the parties hereto shall not be responsible to each other for delay in any undertaking made by this Agreement or for other non-performance hereof if such delay or non-performance is caused by strike, stoppage of labor, lock-out, or other labor trouble, fire, flood, accident, act of God or of the Government of the United States of America or of the Federal Republic of Germany, or of the public enemy of either, or by any cause unavoidable or beyond the control of any party hereto.

SECTION X - LIQUIDATION OF CHEMAGRO

In the event of liquidation of Chemagro either as a result of a legal decree or as a result of a decision of its stockholders, all licenses on the patents, inventions, processes, or other rights at any time granted or licensed by any of the

corporate stockholders to Chemagro shall forthwith terminate and revert and became respected in the sheethelder having granted such rights. If high ideation takes place, she assets remaining after the admissibiliteanofor of patents, flavorities, processes and other life thereby indeath processes and other life thereby a such as the life of the second of

BEGREEN IN A PARCE COUNTY BUTS

the first Countilisants of any of the parties hereto that it, its case of conflict with this Agreement, supersede any and all review as of this Agreement.

STOTECH MEX - ARBITRATION

In our several relating only of or relating to perfor some relative like lipsocially which consolide be settled within a solid of new in \$100 days ofter gliding notice of such conistance; in relating social is abused a mentional in ecoundtic such that describing the latter solid of Procedure then the mainly of that American is a really in Association.

A ANTONIO NAMED ANTONIO DESCRIPCIONES DE COMO AMBITAL OF

This agreement shall be all respects be construed this shall never graded according to the laws of the State of New York, and the smallten in all phings in respect thereto shall be governed by said lims.

TOTAL CALL SECTION OF A CONTRACTOR

Unless etherwise advised in writing, communications and notices sen; by any party hereto to any other party with

respect to this Agreement stable be send or delivered by letter or sublegram and stable be desired to have been given when such notice has been reserved by the addressue at follows:

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SECTION XVI - EXECUTION AND COPIES

This Agreement shall be executed in quadruplicate, each of which copies so executed by all four parties shall be deemed an original and shall constitute one and the same instrument; and one of said copies shall be delivered immediately to each of the other three parties by the party finally signing the Agreement.

IN WITHESS WHEREOF, the parties have caused this Agreement to be executed by their respective representatives thereunto duly authorized, as of the day and year first mentioned above.

ATTEST:	FARBENFABRIKEN BAYER AKTIENGESELLSCHAFT
	Ву
ATTEST:	CHEMAGRO CORPORATION
	Ву
ATTEST:	GEARY CHEMICAL CORP.
	Ву
ATTEST:	PITTSBURGH COKE & CHEMICAL COMPANY
	Ву

e w York

To:

FARBLNFABRIKEN BAYER Aktiengesellschaft Leverkusen - Bayerwerk

GEARY CHEMICAL CORPORATION

New York

PITTSBURGH COKE AND CHEMICAL CO.

Pittsburgh

New York, February 1, 1956

Gentlemen:

The future expansion of Chemagro after the coming into force as of November 1, 1955 of the contemporaneously-executed agreement between Farbenfabriken Bayer Aktiengesellschaft ("Bayer"), Chemagro Corporation ("Chemagro"), Geary Chemical Corporation ("Geary"), and Pittsburgh Coke & Chemical Company ("Pittsburgh") will involve considerable investments for the creation of new manufacturing and development (and, in due course, formulation and research) facilities of our own for agricultural chemicals. In addition it will also require higher operating funds due to this expansion and the transfer of the Pittsburgh Agricultural Chemical Company Division to Chemagro. The presently foreseeable finance requirements of Chemagro during the period from November 1, 1955 to Cotober 31, 1958 are estimated at approximately \$ 3.600.000,- (Three Million Six Hundred Thousand Dollars). Hence, we have agreed to make this amount available to Chemagro, in addition to its present capital stock and surplus, as soon as possible after the approval of these agreements by the German authorities, in the following way:

A. The sum of Cne Million Two Hundred Thousand (\$ 1.200.000,-)

Dollars is put up by

(1) Loans in the total amount of Six Hundred Thousand Dollars (\$\\\ 600.000,-\) to Chemagro, by Bayer in the amount of Two Hundred Thousand Dollars (\$\\\\ 200.000,-\),

by Pittsburgh in the amount of Two Hundred Thousand Dollars (\$ 200.000,-) and

by Geary or one or more of the present stockholders of Geary in the amount of Two Hundred Thousand Dollars (\$200.000,-),

such loans being available to Chemagro until October 31, 1965.

- (2) Additional loans in the total amount of Six Hundred Thousand Dollars (\$ 600.000,-) to Chemagro, by Bayer and Pittsburgh in equal amounts, such loans being available to Chemagro until October 31, 1958.
- If Chemagro seeks to obtain additional capital by offering В. additional shares of its stock, the holders of Class A and Class B stock of Chemagro may exercise their preemptive rights to purchase such stock at a price per share equal to the book value thereof as of the close of the month preceding such purchase or the par value thereof, whichever is higher. Provided, however, that all shares so purchased by Class A stockholders shall be of Class A stock; and provided further that during the period from November 1, 1955 to October 31, 1958, inclusive, the amount of additional capital obtained by the sale of additional shares of Chemagro stock shall not exceed 50 % of the total additional capital then required over and above the \$2 1.200.000,- provided under paragraph A. and any Class B stock purchased by Class B stockholders shall be issued not only against payment of th- purchase price determined as aforesaid but also against

a written statement of the purchaser to make available to Chemagro, at its request, loans up to an amount of One Hundred and Fifty (150) per cent of the purchase price of the stock, said loans being in addition to any loans provided by paragraph A. above or by any prior purchases of any stock hereunder and available to Chemagro until October 31, 1958.

C. The Board of Chemagro shall, upon thirty (30) days prior written notice, first call up the loans mentioned under A.(1), then the loans mentioned under A.(2) and finally, upon sixty (60) days prior written notice, the loans mentioned under B. above, in accordance with Chemagro's financial requirements and pro rata of the maximum obligations of the parties hereto provided in the respective paragraphs.

The choice as between direct loans granted to Chemagro by its stockholders or bank loans guaranteed by them shall be made individually by Bayer and Pittsburgh, but as a group by the participating stockholders of Geary. If any loan is made directly to Chemagro it shall be made against Chemagro's promissory notes. The rate of interest to be paid by Chemagro for direct loans granted to it shall correspond to the highest rate Chemagro has to pay for a simultaneous loan guaranteed by one of the parties hereto.

D. If, during the period from November 1, 1955 to October 31, 1956, Chemagro's finance requirements should exceed the amount of Three Million Six Hundred Thousand Dollars (\$3.600.000,-), in addition to its present capital stock and surplus, the parties hereto will consider making such required additional funds available to Chemagro for the above mentioned period in the manner outlined under 3. above,

if, from the viewpoint of financing Chemagro under the then prevailing circumstances such manner appears to be feasible. Not more than fifty (50) per cent of any such funds shall be supplied as equity capital.

Please notify as of your agreement to these terms by signing, with attestation, this letter and the attached three copies thereof.

Attest:

Very truly yours, CHEMAGRO CORPORATION

Attest:

H. M. Kuar

FARBENFABRIKEN BAYER AKTIENGESELISCHAFT

Attest:

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GEARY CHEMICAL CORPORATION

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Attest:

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PITTSBURGH COKE AND CHEMICAL COLFANY

Henry L. Hillman President Henry L. Hillesn

AGRICULTURAL CHEMICALS - MERGER WITH CHEMAGRO

we have been working for over six months toward transferring our Agricultural Chemicals Divisional activities to Chemagro Corporation.

This has been, for many reasons, a very difficult and complex undertaking.

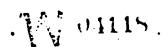
Although the agreement has not yet been actually signed,
Beyer approved it on January 3rd so that, subject to the German
government approval which is primarily a formality, we can consider
that it has been successfully accomplished.

In order to keep you informed of the main provisions of the contract, I have asked Mustard to summarize the contract, primarily from a financial standpoint. This summary is attached, together with a copy of the contract. In order to keep the summary fairly brief, it has been impossible to make a full explanation in all cases. Would you, therefore, please let me know if there is any part of it about which you would like more information.

We feel that this obviously benefits Pittsburgh Coke immediately from a financial standpoint, but also feel that the future prospects for Chemagro Corporation in the rapidly growing agricultural chemicals field are excellent.

H.L.H.

100



Henry L. Hillman

January 5, 1956

FINANCIAL ASPECTS OF TRANSFER OF AGRICULTURAL CHEMICALS ACTIVITIES TO CHEMAGRO

Summary of Agreement

Chemagro is presently owned one-third by Pittsburgh Coke, one-third by Bayer, and one-third by Geary, and has been financially successful in exploiting in this country certain unique agricultural chemical products developed by Bayer. Profit for the 1955 fiscal year, ended October 31, on net sales of \$3,430,000 was \$655,000 before income taxes and \$446,000 after taxes.

It is now Bayer's wish to concentrate their exploitation of agricultural chemicals in this country through the medium of Chemagro, and, to this end, have agreed to give Chemagro the results of their technical work on agricultural chemicals in Germany in return for Pittsburgh Coke & Chemical Company's transferring to Bayer its present marketing and sales organization.

Geory will each sufficient further provides that Pittsburgh, Bayer, and Geory will each sufficient third of the equity interest in Chemagro but the wating steelists all be owned equally by Pittsburgh and Bayer. Geory must be permitted at the outset to maintain its equity interest in Chemagro, because otherwise a contract with Schenley would require that technical information and patent rights would have to be given to the latter. However, if Chemagro is successful in any

January 5, 1956 Page 2

large measure, it is highly doubtful that Geary will be able to maintain its relative equity position because of the capital that will be required.

Effects on Pittsburgh Coke's Profit and Loss

The loss of Pittsburgh Coke's Agricultural Chemicals Division for 1955 exceeds \$500,000, and, in spite of the bright long-term outlook for agricultural chemicals, particularly in view of the Ethyl Package, it is doubtful that the loss in 1956 and 1957 would be any smaller. It, therefore, seems that we are undoubtedly improving the profit of Pittsburgh Coke to the extent of \$500,000 per year before taxes by transferring the Agricultural Chemical activities to Chemagro.

In addition, two-thirds of this loss would be borne by
the equity interest of the other two partners and only one-third
by Fitteburgh The 1955 profit of Chemagro in the amount of
\$655,000 before this is sufficient to bear the \$500,000 loss that
would be transferred even if no further profitable products were to
be provided to Chemagro by Bayer and even if nothing profitable were
to come out of the Ethyl Research Package. Also, Chemagro will have
the
at least the difference between its current profit and/loss which
Pittsburgh Coke is transferring, to spend if desired in researching
the Ethyl chemical compounds.

January 5, 1956
Page 3

Effect on Pittsburgh Coke's Cash

In addition to the highly desirable effect on Pittsburgh Coke's profit and loss statement, the cash position of Pittsburgh Coke will be highly benefited by the transfer to Chemagro before October 31, 1956 of all the Agricultural Chemicals' finished goods inventories and the sale during 1956 either to Chemagro or technical inventories. The cash effect of these transfers and sales relative to peak amounts invested therein during the year 1955 is as shown below:

·		
Highest inventory carried during 1955	\$4,200,000	
Less: Inventories required to manufacture phosphate insecticides for Chemagro during 1956 and accounts receivable	185,000	\$4,015,000
Highest accounts receivable during 1955		1,268,300
Repayment of loan to Chemagro		200,000
		\$5,483,000
netwes: Direct investment in Chemagro explained below)		\$ 600,000
Net cash benefit to Pittsburgh Coke relative to highest 1955 investment in Agricultural Chemicals Division's current assets		\$4,883,530

Page 4

Financing of New Chemagro

Taking into consideration the lesser number of agricultural chemical products that Chemagro will market, additional capital which Chemagro will require for 1956 is conservatively estimated to be \$3,600,000.

The agreement for providing this capital provides that it will be made available by the three partners as follows:

	Permanent Capital			Temporary	
	10 Year Loans	Stock	Total	Loans or Guaranteed Bank Loans	Total Capital to be provided
Pittsburgh Coke Bayer Geary	\$200,000 200,000 200,000	400,000 \$ 400,000 400,000	600,000 600,000 600,000	\$ 900,000	\$1,500,000 1,500,000 600,000
Total	\$600,000 \$1	,200,000 \$1	,800,000	\$1,800,000	\$3,600,000

It is to be noted from the above that for each dollar of permanent investment. Pittaburch and Bayer are putting up one and one-half dollars by means it temporary loan or guaranteed bank loan. It was been to do this in order to protect Geary from immediate dilution of its equity ownership. The agreement so to do runs, however, for only three years ending October 31, 1958, after which Pittaburgh and Bayer will be free to buy additional stock if desired without the necessity of providing temporary loans. It is obvious from what we know of the finances of the owners of Geary

Page 5

that if the Company is highly successful and develops into a manufacturer of chemicals rather than remaining a trading organization, they will be unable to maintain their present proportionate equity interest in Chemagro.

Summary of Advantages to Pittsburgh Coke

- 1. Improves profit before taxes by \$500,000; reduces actual loss, through transfer of two-thirds of the \$500,000 to the other partners, by \$333,333.
- 2. Increases cash during periods of highest agricultural chemicals activity by \$4,883,000.
- 3. Makes available to Chemagro a greater number of technical Bayer agricultural chemical products which have proved highly profitable in the past.
- 4. Provides a method of financing the research on the agricultural chemical products included in the Ethyl Package through the use of profits made on Bayer products presently being sold by thems gro.

R. Mustard

HRM: 1bs

PITTSBURGH COKE & CHEMICAL COMPANY, A PENNSYLVANIA CORPORATION: BEFORE AND AFTER NEW CHEMAGRO BECAME ACTIVE IN APRIL OF 1956

Pre 4/1/56

Post 4/1/56

1. Basic Group

Coke and Iron Division	Unchanged
Cement Division	Unchanged
Neville Concrete Division	Unchanged

2. Chemicals Group

Activated Carbon Division	Unchanged
Fine Chemicals Division	Unchanged
Industrial Chemicals Division	Unchanged
Protective Coatings Division	Unchanged
Agricultural Chemicals Division	Modified Somewhat1/

3. Wholly Owned Subsidiaries

Green Bag Cement Co., Inc.	Unchanged
Neville Concrete Pipe Company	Unchanged
Neville Island Land Company	Unchanged
Pittsburgh and Ohio Valley	-
Railway Co.	Unchanged
Pittsburgh Chemical Sales Corp.	Unchanged
Great Lakes Steamship Company, Inc.	Unchanged
Pittsburgh Agricultural Chemical	-
Company [<u>Inactive</u>]	Unchanged

 $^{^{1/}}$ See details of changes made on following two charts.

THE EFFECTS OF THE CREATION OF NEW CHEMAGRO ON THE AGRICULTURAL CHEMICALS DIVISION OF THE PITTSBURGH COKE & CHEMICAL COMPANY

TRANSFERS OF BUSINESS ASSETS, OPERATIONS, PERSONNEL, ETC. FROM THE AG. CHEM. DIVISION TO NEW CHEMAGRO IN THE SPRING OF 1956

Assets, Operations, Personnel, etc. of Aq. Chem. Division New Chemagro 1. Real Property None 2. Manufacturing Plants (N=6)1/ None 3. Personnel: -- Sales Force Employees (N=21) N=18 -- Technical Employees (N=23)2/ N=11-- Business Managers (N=3) N=2-- Business Staff (N=10) None -- Engineers (N=10) None -- Production Managers (N=21) None -- Production Operators (N=61) None [-- Total Personnel (N=149) N=311 4. Inventory Some3/

^{1/}These plants included a 2,4 D Acid Plant, a 2,4 Dichlorophenol Plant, a 2,4,5 Trichlorophenol Plant, a BHC Plant, a Formulation (liquids, wettable powders and dust) Plant and a Phosphate Insecticide Plant.

^{2/}Technical Employees include Biologists and Chemists.

 $^{^{3}}$ /Some of the inventory which the Ag. Chem. Division had on hand in the Spring of 1956 was consigned to the New Chemagro.

THE EFFECTS OF THE CREATION OF NEW CHEMAGRO ON THE AGRICULTURAL CHEMICALS DIVISION OF THE PITTSBURGH COKE & CHEMICAL COMPANY

PERCENTAGES OF THE BUSINESS ASSETS, OPERATIONS, PERSONNEL, ETC. OF ITS AGRICULTURAL CHEMICALS DIVISION NOT TRANSFERRED BY PITTSBURGH COKE & CHEMICAL COMPANY TO THE NEW CHEMAGRO IN THE SPRING OF 1956

	Assets, Operations, Personnel, Etc. of Ag. Chem. Division	<pre>% Retained by Ag. Chem. Division</pre>
1.	Real Property	100%
2.	Manufacturing Plants (6 of 6)	100%
3.	Personnel: Sales Force Employees (3 of 21) Technical Employees (12 of 23) Business Managers (1 of 3) Business Staff (10 of 10) Engineers (10 of 10) Production Managers (21 of 21) Production Operators (61 of 61) [Total Personnel (118 of 149)	14% 52% 33% 100% 100% 100% 79%
4.	Inventory	1/

^{1/}The amount of its total inventory which was retained by the Ag. Chem. Division is not known. Some of the inventory which the Ag. Chem. Division had on hand in the Spring of 1956 was consigned to the New Chemagro.

FARSENFABRIKEN BAYER AND PITTSBURGH COKE POOL AGRICULTURAL CHEMICAL RESOURCES IN CHEMAGRO CORPORATION

Farbenfabriken Bayer A.G., Leverkusen, Germany, and Pittsburgh Coke & Chemical Company, Pittsburgh, Pa., have announced the consolidation of their respective agricultural chemical activities in the United States and Canada in Chemagro Corporation, New York, N.Y.

Chemagro thus becomes almost unique in combining complete manufacturing, research and sales facilities for the sole and exclusive purpose of serving the fast-growing agricultural chemicals industry.

Farbenfabriken Bayer is one of the world's largest and most successful organizations in the development and manufacture of agricultural chemicals.

The company has developed such important farm chemicals as Parathion insecticide, Systox systemic insecticide, and Dipterex bait-type fly killer.

Pittsburgh Coke & Chemical entered the agricultural chemicals field in the late 1940's. With integrated manufacturing facilities and a nation-wide sales organization, the company's Agricultural Chemicals Division established the "Pittsburgh" name as an important factor in the agricultural chemicals industry.

Chemagro Corporation was established in 1950 to introduce Farbenfabriken Bayer's new agricultural chemical products to the rapidly growing U.S. farm market. Pittsburgh Coke acted as the principal manufacturing source for Chemagro and also marketed several of its products.

The complete integration of the two companies' respective agricultural chemical activities now enables Chemagro to operate as an autonomous organization with complete control of its own manufacturing, research and marketing facilities.

George W. Hill, Jr. will continue as President of Chemagro Corporation. Herbert F. Tomasek will serve as Vice President, and W. Scott James will be Assistant to the President.

Director of Manufacturing will be Dr. Robert C. Scott. Sites for the company's first manufacturing plant are now under study.

Dr. Rosmarie von Rumker has been appointed Director of Research.

Gordon M. Williams will serve as Assistant Director of Research. Formerly associated with Farbenfabriken Bayer, Dr. von Rumker is thoroughly familiar with that company's highly developed techniques in research and product development.

Chemagro's new Sales Department will be directed by Hugh H. Swink and B. Thomas Snipes, who will serve as Director and Associate Director, respectively.

Pittsburgh Coke's Agricultural Chemicals Sales and Research staffs will be integrated with the Chemagro Sales and Research Departments.

Released by: W. S. Walker Advertising, Inc. Oliver Building, Mellon Square Pittsburgh 22, Pennsylvania

M 03997

Henry L. Hillman . To:

H. R. Mustard From:

CHEMAGRO CORPORATION Subject:

December 17, 1958



I.

History

During 1949, a small group of individuals, who were the owners of Geary Chemical Corp., approached PC&C with the idea of the latter manufacturing phosphate insecticides, the rights to which had been obtained by Geary from Farbenfabriken Bayer Aktiengesellschaft of Leverkusen, Germany.

Pursuant to negotiations, it was agreed that a new company would be formed with Geary and PC&C each owning \$100,000 worth of capital stock and PC&C would build a phosphate insecticide plant to manufacture for the new company. Although Bayer was to get royalties on sales of products, they did not originally have a financial interest, which, in 1953, they began to push for. PC&C and Geary decided that it would be to their advantage if Bayer did have a financial interest in Chemagro because they would have more of an incentive to turn over product know-how to that company. Consequently, as of November 1, 1953, at a time when Chemagro had a deficit, a one-third interest in Chemagro was sold to Bayer for \$100,000.

Subsequently, during the year 1955, studies indicated that greater profits could be realized if PC&C's national sales organization and inventories of agricultural chemicals were combined with the production and technical know-how of Bayer in a new company (also named Chemagro Corporation). This combination was made effective November 1, 1955, and thereafter the new company has been consistently profitable, as opposed to the operations of PC&C's Agricultural Chemicals Division prior thereto.

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In 1957, construction was started on a new plant for the manufacture of various unique insecticides, fungicides, and defoliants in Kansas City. As of now, this new plant, to cost about \$3,800,000, is substantially complete.

II. Profits

Profit and loss after taxes since inception is shown below:

01d	Chemagro			21.			
	Fiscal years	ending 1950	October.	24.	(\$ 53,000)
	• • •	1951			(\$ 53,000 185,000 82,000)
		1952 1953				426,000	
	•	1954			(183,000)
		1955				446,000	
New	Chemagro	anding	October	31:			
•	Fiscal years	1956		J		447,000	
		1957				587,000 147,000	
		1958				171,000	

The principal reasons for the sharply reduced profits in fiscal 1958 were very poor weather conditions in the spring and early summer, very heavy start-up expenses in connection with the new Kansas City plant a certain amount of price-cutting in Parathion, and the fact that Co-Ral sales (outstanding product for elimination of grubs on cattle) are made mainly in late fall after the end of Chemagro's October 31 fiscal year.

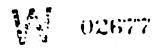
A forecast of Chemagro's profits for the next five years is attached.

III.

Financing

At the time the new Chemagro was formed, as of November 1, 1955, PC&C, Bayer, and Geary had each invested \$100,000 in the old company. At this time, in order to make sufficient capital available to run the much larger company, it was agreed that each of the three partners would lend the new company \$200,000 to October 31, 1965, and additional loans in the amount of \$300,000 each would be made by Bayer and Pittsburgh until October 31, 1958. In addition the agreement provided that if additional equity capital were obtained by Chemagro from the partners, PC&C and Bayer would each have to provide loans to October 31, 1958, equal to 150% of their equity purchases.

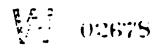
In 1957 and 1958, PC&C and Bayer each purchased approximately \$1,150,000 of additional Chemagro stock, thus bringing ownership of the company to 40% each. Therefore, pursuant to this agreement, PC&C for the fiscal year ending October 31, 1958 was required, and did, make available to Chemagro by means of loans guaranteed at Chemical \$1,850,000, of which \$200,000 must be made available until 1965 and \$1,650,000 is presently no longer required to be made available under the agreement.



Cash requirements for the coming year, which peak at \$4,750,000 in May 1959, and are reduced to \$750,000 in October 1959, are shown on the attached estimated borrowing schedule.

It appears from the seasonal nature of this borrowing requirement that Chemagro is an ideal company to finance with bank loans, except for the fact that the capitalization is thin compared to the peak requirements and its working capital is only \$1,500,000. Because of this, it is believed that PC&C and Bayer should continue to make available for 1959 by means of guaranteed loans (or direct loans in the case of Bayer) the \$3,700,000 (\$1,850,000 each) which they made available in 1958. The additional amount required during the peak period of say, \$1,050,000, could then be obtained on an unguaranteed basis. At the end of the 1959 fiscal year, it is conceivable that if PC&C and Bayer were to purchase \$750,000 each of additional stock or subordinated debentures, a bank would be willing to handle Chemagro's borrowing requirements on an unguaranteed basis. In any event, the amount then obtainable on an unguaranteed basis should be markedly greater. To show this, as well as the flow of cash to Chemagro over the next five years, a schedule of monies available to reduce Chemagro's indebtedness is attached. This schedule is based on the five-year rerecast of profits also attached.

A Balance Sheet of Chemagro for its 1958 fiscal year just ended is appended.



IV.

Relations with Bayer

Our relations with Bayer have always been excellent and they have provided Chemagro with many profitable unique products which we could not have done. Inasmuch as we each own one half of the voting stock and at least one board member from each company must vote in favor of any proposal, we have complete veto power over any action to be taken by Chemagro. We are convinced that Bayer is very happy with its investment in Chemagro and it wishes to use that company as its means of penetrating the United States' agricultural chemicals market.

As to direct loans made by Bayer to Chemagro, which are equal to the guarantees of Chemagro's notes which PC&C is making, this situation is temporary and has no real significance. It is understood that "Bayforin," which is Bayer's western hemisphere investment company, now has excess funds available which it desires to use. However, it is also our understanding that in the spring of 1959 these funds will no longer be available and Bayer will guarantee bank loans for Chemagro, the same as PC&C is doing.

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Distribution HLH WCA HVB CGG

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Agricultural Chemicals

- Pittsburgh Coke & Chemical Company (PC&C) constructed its first agricultural chemical plants. Products included Antu, 2,4-D and DNOC.
- 1948 PC&C formed Pittsburgh Agricultural Chemical Company (PAC) to market its agricultural chemicals. This was a shell corporation. Actual marketing was by the Pittsburgh Agricultural Chemical Division of PC&C.
- A small plant for the production of Parathion was constructed. This was done by arrangement with Geary Chemical Corp. (Geary) which held a license of for Parathion from Farbenfabriken Bayer (Bayer).
- Chemagro Corporation (Chemagro) was organized by PC&C and Geary to develop the United States market for organic phosphate insecticides licensed to Geary by Bayer. Chemagro was purely a marketing organization selling to a few relatively large accounts (including the PAC Division of PC&C). PC&C constructed a larger plant for the production of improved organic phosphate insecticides of the Parathion type to be marketed as Metacide. The plant was operated by PC&C and the cost was amortized to Chemagro over a period of 3 years.
- PC&C started producing the systemic insecticide Systox for Chemagro under a Bayer license to Geary.
- 1953 Bayer became a 1/3 owner of Chemagro by the sale of additional shares.
- PC&C and Bayer agreed to concentrate their agricultural chemical business in North America through the medium of Chemagro by merging the PAC Division of PC&C (the sales organization) into Chemagro, with Bayer making all of its agricultural chemical products available to Chemagro and with Chemagro having its own production facilities.

Agricultural Chemicals

- Chemagro was merged into Geary, which then changed its name to Chemagro Corporation. In the merger PC&C and Bayer each owned 5,000 shares of voting stock and the former Geary shareholders individually owned an aggregate of 5,000 shares of non-voting stock. At the time of the merger PC&C sold the inventory of its PAC Division to Chemagro. Subsequent to the merger, in 1956 Chemagro started construction of production facilities and research and administrative offices in Kansas City.
- PC&C transferred its capital stock investment in Chemagro to The Neville Island Company (NI), a newly formed and wholly owned subsidiary. (The intention was to eventually dispose of part of the investment in Chemagro.)
- NI sold its investment in Chemagro to Bayer for 410,120 Bayer shares which could only be sold outside the United States.
- 1971 All of the Bayer shares were sold in West Germany.

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Chemical Operations (Other than Agricultural Chemicals)

- Pittsburgh Coke & Chemical Company (PC&C) transferred its three chemical divisions (activated carbon, protective coatings and industrial chemicals) to Pittsburgh Chemical Company (PC Co.), a newly formed and wholly owned subsidiary.
- PC Co. and Standard Oil of Indiana formed Oxo Chemicals Corporation (Oxo), 50% owned by each, to build an oxo alcohol plant at Haverhill, Ohio.
- A new activated carbon plant was constructed at Catlettsburg, Ky., (and subsequently enlarged).
- A 25% interest in PC Co. was sold to United States Steel Corporation (USS) by PC&C.
- PC Co. sold the assets of its protective coatings and industrial chemicals divisions and its capital stock investment in Oxo to USS, at which time PC Co. changed its name to Pittsburgh Activated Carbon Company (PAC Co.).
- 1965 PC&C exercised its option to purchase 5% of the 25% interest of USS in PAC Co.
- 1966 PC&C exercised its option to purchase the USS 20% minority interest in PAC Co. and subsequently exchanged its 100% interest in PAC Co. for a 1/3 interest in Calgon Corporation.

The Evolution of Pittsburgh Coke

1955	Pittsburgh Coke and Chemical Company, a Pennsylvania corporation, was a large diversified corporation with many internal divisions and wholly-owned subsidiaries.
1970	Pittsburgh Coke and Chemical Company, a Pennsylvania corporation, was merged into Pittsburgh Coke and Chemical Company, a Delaware corporation.
1972	Pittsburgh Coke and Chemical Company, a Delaware corporation, was merged into Pittsburgh-Wilmington, Inc., a Delaware corporation and wholly-owned subsidiary of The Hillman Company.
1972	Pittsburgh-Wilmington, Inc., a Delaware corporation, changed its name to Wilmington Securities, Inc., a Delaware corporation, and wholly-owned subsidiary of The Hillman Company.
1992	Wilmington Securities, Inc. is an ongoing concern which has appeared as a Third-Party Defendant in the <u>Levin v. Parr Richmond</u> litigation.